

Official Statement Dated June 18, 2003

NEW ISSUE - Book Entry Only

Moody's Rating: MIG-1
Standard & Poor's Rating: SP-1+
Fitch Rating: F1+
(See "Ratings" herein)

In the opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed on the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.



\$375,000,000
STATE OF IDAHO
TAX ANTICIPATION NOTES, SERIES 2003

Dated: Date of Delivery

Due: June 30, 2004

Interest Rate 2.00%
Priced to Yield 0.80%

The Notes initially will be issued in registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry form in denominations of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will be dated the date of delivery, and will not be subject to redemption prior to maturity. Principal and interest will be payable when due to DTC or its nominee by U.S. Bank National Association, Salt Lake City, Utah, as Escrow/Paying Agent as described under "Description of the Notes--Book-Entry Only System."

Principal thereof and interest on the Notes are payable from the appropriation of General Tax Revenues (as defined herein) collected by the State during the fourth quarter of the 2004 fiscal year, sufficient to pay principal thereof and interest thereon as the same become due. In addition, the Notes are secured by the faith and credit of the State of Idaho.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of validity and legality by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, bond counsel, and to certain other conditions. The Notes will be available for delivery to DTC in New York, New York, on or about July 1, 2003.

U.S. BANCORP PIPER JAFFRAY
BANC OF AMERICA SECURITIES LLC
ZIONS FIRST NATIONAL BANK

STATE OFFICIALS

**The Honorable Ron G. Crane
STATE TREASURER**

The Honorable Dirk Kempthorne
The Honorable Jim Risch
The Honorable Ben Ysursa
The Honorable Keith Johnson
The Honorable Lawrence Wasden
The Honorable Marilyn Howard

Governor
Lieutenant Governor
Secretary of State
State Controller
Attorney General
Superintendent of Public Instruction

FINANCIAL ADVISOR

KEYBANK NATIONAL ASSOCIATION

BOND COUNSEL

MOORE SMITH BUXTON & TURCKE, CHARTERED

UNDERWRITERS

U.S. BANCORP PIPER JAFFRAY
BANC OF AMERICA SECURITIES LLC
ZIONS FIRST NATIONAL BANK

ESCROW/PAYING AGENT

U.S. BANK NATIONAL ASSOCIATION

RON G. CRANE
STATE TREASURER



(208) 334-3200
(208) 332-2960 FAX

STATE OF IDAHO
OFFICE OF THE STATE TREASURER

ROOM 102 STATEHOUSE
P.O. Box 83720
BOISE, IDAHO 83720-0091

June, 2003

Dear Investor:

Economic tough times are continuing throughout the nation as the recession rolls on. Idaho is certainly no exception. With 46 of the 50 states in a deficit situation we can expect this to be the norm in the foreseeable future.

Our Governor and legislature have dealt with the tough questions surrounding this revenue shortfall: How do we cut the fat out of state government without cutting into the muscle? Can public schools withstand reduced budgets? At what point will we begin to damage the educational future of Idaho's children? Will the general public allow tax increases or will there be a "tax rebellion?" Will we be victims of this recession or will we be the masters of our own destiny?

The Governor laid out his plan to guide our state through this economic maze and thankfully, the legislature reached essentially the same conclusion. The sales tax has been raised from 5% to 6% for a period of two years. The cigarette tax has been raised by 29 cents per pack. These additional revenues will generate the necessary funds to take care of the shortfall while providing sufficient funding for education and the rest of state government until the economy recovers.

Tough choices? You bet! The Governor and legislature agonized over making these decisions. Idaho is a conservative state and does not raise taxes often. But with very few options they "stepped up to the plate." That's leadership!

And that is why I am optimistic. Tough leaders make tough choices during tough times. We have invested in our future! We will weather this storm!

Sincerely,

A handwritten signature in black ink that reads "Ron G. Crane".

Ron G. Crane
State Treasurer

No person has been authorized by the State of Idaho to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Idaho since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

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SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, AND THE OFFERING OF THE STATE OF IDAHO TAX ANTICIPATION NOTES, SERIES 2003, REFERRED TO HEREIN TO POTENTIAL PURCHASERS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$375,000,000. The Notes will be dated the date of delivery (which is anticipated to be approximately July 1, 2003), mature on June 30, 2004, and are not subject to redemption prior to maturity. It is anticipated that the Notes will be issued in book-entry-only form, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry-only form in the denomination of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the Notes. The beneficial ownership of interests in the Notes is expected to be shown on, and the transfer of such ownership is expected to be effected through, records maintained by DTC and the Participants and Indirect Participants which are related to entries on the book-entry-only system of DTC. If the book-entry-only system is discontinued, the Notes will be issued to the purchasers thereof in the form of bearer certificates.

Purpose of the Notes

The Notes are being issued to fund the State of Idaho's anticipated cash flow shortfalls during the fiscal year commencing July 1, 2003, and ending on June 30, 2004 (the "2004 fiscal year"). Proceeds of the sale of the Notes will be deposited in the General Fund of the State and will be used to alleviate temporary cash flow shortfalls and to finance the State of Idaho's daily operations in anticipation of the receipt of certain tax revenues of the State to be collected during the fourth quarter of the 2004 fiscal year.

Authority for the Notes

The Notes will be issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho, and Chapter 32, Title 63, Idaho Code, and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 11, 2003, and a Plan of Financing approved by the Treasurer of the State of Idaho.

Security and Sources of Payment for the Notes

The Notes are secured by (i) an irrevocable pledge of the income and revenues from taxes, whether specific, ad valorem, excise, income, franchise, or license, to be received by the State during the fourth quarter of the 2004 fiscal year (the State estimates it will receive \$667,615,000 during the fourth quarter of the 2004 fiscal year); (ii) to the extent necessary, from other borrowable resources of the State (described in the Official Statement); and (iii) the solemn pledge of the faith and credit of the State.

Deposit of Pledged Monies for the Notes

A "Tax Anticipation Notes, Series 2003, Note Payment Account" (the "Note Payment Account") will be created in the "Tax Anticipation Note Redemption Fund" created by Section 63-3203, Idaho Code, into which will be deposited as received the revenues described above until the monies therein and investment earnings earned or to be earned thereon shall be fully sufficient to pay the principal of and interest on the Notes at maturity. Any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes.

Tax Exemption

In the opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel, under currently existing laws, regulations, decisions and interpretations and assuming, among other things, compliance with certain covenants, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. The Notes are not private activity bonds. Bond counsel is also of the opinion that, under the laws of the State of Idaho, as enacted and construed on the date hereof, interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the extent that such interest is excluded from gross income for federal income tax purposes. Bond counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.

OFFICIAL STATEMENT

\$375,000,000

STATE OF IDAHO

TAX ANTICIPATION NOTES, SERIES 2003

INTRODUCTION

This Official Statement of the State of Idaho (the "State") presents certain information in connection with the issuance of \$375,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2003 (the "Notes"). None of the references to or summaries of the laws of the State or of any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

THE NOTES

Description of the Notes

The Notes are being issued to fund the State's anticipated cash flow shortfalls during the fiscal year ending June 30, 2004 (the "2004 fiscal year"). The proceeds of the sale of the Notes will be deposited in the General Fund of the State (the "General Fund") and will be used to alleviate temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues (the "General Tax Revenues") of the State to be collected during the fourth quarter of the 2004 fiscal year ending June 30, 2004 (see "GENERAL TAX REVENUES"). General Tax Revenues consist primarily of Individual Income Taxes, Corporate Income Taxes, and Sales Tax. The Notes are payable from and secured by: (i) an irrevocable pledge of so much of the General Tax Revenues to be received during the fourth quarter of the 2004 fiscal year as may be necessary to pay the principal of and interest on the Notes; (ii) the State Treasurer's covenant to transfer, if necessary, any monies available (the "Borrowable Cash Resources" described hereafter) to the Note Payment Account established for the payment of the Notes, in an amount required to fully pay the principal of and interest on the Notes at maturity; and (iii) the solemn pledge of the faith and credit of the State for the payment in full of the principal of and interest on the Notes.

The Notes will be dated the date of delivery, and will mature June 30, 2004. The Notes will bear interest at 2.00% per annum, payable at maturity, calculated on the basis of a 30-day month, 360-day year. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Notes. The ownership of not more than two fully registered global Notes for the entire aggregate principal amount of the Notes will be registered in the name of Cede & Co. as nominee of DTC. The Notes are not subject to redemption prior to maturity. Principal of and interest on the Notes will be payable at maturity by U.S. Bank National Association, Salt Lake City, Utah, Paying Agent, to DTC or its nominee in lawful money of the United States for distribution to the Participants, Indirect Participants and Beneficial Owners.

Book-Entry-Only System

The following information has been provided by DTC. The State makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Participants (as hereinafter defined).

The Depository Trust Company, (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes will be initially issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, not more than two fully-registered Note certificates will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under New York Banking Law, a “banking organization” within the meaning of New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holding from the Direct or Indirect Participant through which the Beneficial Owner entered into the

transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), issuer or agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or any other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as note depository with respect to the Notes at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor note depository is not obtained, Note certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Note depository). In that event, Note certificates will be printed and delivered.

With respect to Notes registered on the Note Register in the name of Cede & Co., as nominee of DTC, the Issuer or Agent shall have no responsibility or obligation to any

Participant or to any person on behalf of whom a Participant holds an interest in the Notes with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Participant with respect to any ownership interest in the Notes; (ii) the delivery to any Participant or any other person, other than a noteholder as shown on the Note Register, of any notice with respect to the Notes, including any notice of redemption; (iii) the payment to any Participant or any other person, other than a noteholder as shown on the Note Register, of any amount with respect to principal of, premium, if any, or interest on the Notes; (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Notes; (v) any consent given or action taken by DTC as registered owner, or (vi) any other matter. The Issuer or Agent may treat and consider Cede & Co., in whose name each Note is registered on the Note Register, as the holder and absolute owner of such Note for the purpose of payment of principal and interest, for the purpose of giving notices of redemption and other matters with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall include the person for whom the Participant acquires an interest in the Notes.

Authorization

The Notes are being issued pursuant to Article VII, Section 11, and Article VIII, Section 1, of the Constitution of the State of Idaho (the "Constitution"), and Chapter 32, Title 63, of the Idaho Code (the "Act"), and pursuant to a Resolution of the Board of Examiners of the State of Idaho adopted on March 11, 2003, and a Plan of Financing approved by the Treasurer of the State of Idaho.

The Act allows the State Treasurer, with approval of the State Board of Examiners, a constitutionally established board comprised of the Governor, the Secretary of State and the Attorney General, with the State Controller as ex officio Secretary (the "Board"), to borrow monies in anticipation of General Tax Revenues in a principal sum not to exceed 75% of the income or revenue from such taxes as the State reasonably anticipates to be collected during the fiscal year. The Board has approved, by written resolution, adopted on March 11, 2003, such borrowings during the 2004 fiscal year in an amount not to exceed \$1,344,802,500. General Tax Revenues anticipated to be collected during the 2004 fiscal year are expected to be not less than \$1,793,070,000 thereby imposing a limit of \$1,344,802,500 on such borrowings for the 2004 fiscal year.

Pursuant to the Act, all Notes issued by the State must mature not later than the end of the then current fiscal year. The State does not currently plan to issue additional External Notes during the 2004 fiscal year, but reserves the right to do so (see "Internal and External Notes").

The Plan of Financing (see "Appendix B"), adopted by the State Treasurer, calls for the issuance of \$375,000,000 Series 2003 Notes in anticipation of the income and revenues from taxes to be received during the fourth quarter of the 2004 fiscal year (April, May and June 2004). These monies may include specific, ad valorem, excise, income, franchise or license revenues. The State anticipates receiving a total of \$667,615,000 in the fourth quarter of the 2004 fiscal year. The \$375,000,000 in Notes to be issued is equal to 56% of anticipated 2004 fiscal year fourth quarter revenues and is within the 75% issuance test as set forth in the Act. Set forth in Table 1 is a description of the specific revenue and amounts that the State estimates will be received in the fourth quarter of the 2004 fiscal year (see "Security and Source of Payment"). The revenues anticipated for the 2004 fiscal year are shown on a monthly basis in Table 4 and on a quarterly basis in Table 5

Use of Proceeds

Timing differences between revenue collections and disbursements have caused the State to engage in interfund borrowing to fund General Fund expenditures (see "Internal and External Notes"). The State Treasurer has determined to issue the Notes to meet the anticipated cash flow requirements for the 2004 fiscal year resulting from the imbalance in timing between receipts and expenditures.

The State's major General Fund revenue sources include individual income tax, sales tax and corporate income tax. Together, these three categories comprise 93.31% of total General Fund revenues. General Fund revenues are received in relatively uneven amounts throughout the fiscal year because of various factors regarding the timing of individual income tax collections and refunds, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. As a result, the State anticipates that it will receive 44.18% of General Fund revenues in the first six months of the 2004 fiscal year. However, disbursements during the same period account for 56.54% of total expenditures.

The State's single largest item of expenditure is for public school aid which totals \$943.0 million, or approximately 46.74% of spending. The school aid payments are disbursed in eight payments, four of which occur in the first five months of the fiscal year for a total of \$535.7 million, or 56.81% of total school aid payments. These payments are made directly to the school districts and in the 2004 fiscal year are currently scheduled as follows:

	<u>Amount</u>
July 2003	\$34,028,000
August 2003	167,318,760
October 2003	167,318,760
November 2003	167,068,760
December 2003	36,314,500
February 2004	167,318,760
April 2004	250,000
May 2004	167,068,760
<u>June 2004</u>	<u>36,314,500</u>
TOTAL	\$943,000,800

Health and Welfare expenditures, the second largest single expenditure item, totals \$375.8 million, or 18.63% of the budget. The third largest expenditure item is aid to higher education, for a total of \$289.3 million which is 14.34% of the total 2004 fiscal year budget (see Table 9 - General Fund Summary of the 2004 Fiscal Year Budget).

Proceeds received by the State from the sale of the Notes will be deposited in the General Fund and used to meet expenses required to be paid from the General Fund during the 2004 fiscal year.

The State has covenanted to comply with the provisions of the Internal Revenue Code of 1986 (the "Code") which are necessary for interest paid on the Notes to be excluded from gross income for purposes of federal income taxation. The State has projected that the cumulative cash flow deficit to be financed by the Notes will exceed 90% of the proceeds of the Notes within six months of the date of the Notes. In the event that the gross proceeds of the Notes are not

expended (within the meaning of Section 148(f)(4)(B) of the Code) within six months of the date of issuance of the Notes, the State will cause to be rebated to the United States an amount equal to the excess earnings on all non-purpose investments over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the Notes, plus any income attributable to such excess.

Security and Sources of Payment

Each Note when duly issued and paid for will constitute a valid and binding obligation of the State of Idaho. The faith and credit of the State of Idaho are solemnly pledged for the payment of the Notes.

There is established in the "Tax Anticipation Note Redemption Fund" created by Section 63-3203, Idaho Code, a special fund and account known as the "Tax Anticipation Notes, Series 2003, Note Payment Account" (the "Note Payment Account"). The Note Payment Account shall be held and invested at the direction of the State Treasurer by U.S. Bank National Association, Salt Lake City, Utah, as escrow agent (the "Escrow Agent"), pursuant to the provisions of an escrow agreement. Monies in the Note Payment Account will be invested in direct obligations of the Federal Government and in certain fully collateralized investments permitted under Section 67-1210, Idaho Code. The Treasurer has covenanted to invest all monies in the Note Payment Account in securities that mature no later than June 30, 2004. The Treasurer also has covenanted not to invest monies in the Note Payment Account in debt obligations of the State, its political subdivisions, or taxing districts or authorities.

In accordance with the Act, the Notes are payable from pledged fourth quarter tax revenues and, to the extent necessary, from other borrowable resources of the State. All income and revenues from the taxes collected during the fourth quarter of the 2004 fiscal year (April, May and June 2004) shall be deposited into the Note Payment Account as received until the monies therein together with investment earnings earned or to be earned thereon shall be sufficient to pay principal of and interest on the Notes at maturity (see "Table 4 - State of Idaho Projected General Fund Cash Flow for the Fiscal Year Ending June 30, 2004" and "General Tax Revenues"). The State Treasurer may, but is not required to by the Plan of Financing, deposit any income and revenues from taxes received prior to the fourth quarter of the 2004 fiscal year into the Note Payment Account, and any monies so deposited into the Note Payment Account are irrevocably appropriated and set aside solely for payment of principal of and interest on the Notes. The State has projected the receipt of the following revenues to pay principal of and interest on the Notes.

The State Treasurer has covenanted that, in the event there are not on deposit in the Note Payment Account on or before June 30, 2004, tax revenues, together with investment earnings thereon, fully sufficient to pay the principal of and interest on the Notes at maturity, then the State Treasurer will borrow from other funds under the control of the State Treasurer (see "Borrowable Cash Resources"), subject to the requirement that such amounts be repaid when General Fund monies are available or take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient to pay the principal of and interest on the Notes at maturity. The FY 2004 fourth quarter revenues of \$667.6 million provide 1.78 to 1 coverage for the Notes. Borrowable Cash Resources of \$1.631 billion provide 4.35 to 1 in additional coverage for the Notes.

TABLE 1
Estimated Fourth Quarter Revenues By Source
For the Fiscal Year Ending June 30, 2004
(000's omitted)

Fourth Quarter Revenues

	APRIL	MAY	JUNE	TOTAL
Individual Income Tax	\$226,536	\$56,517	\$81,781	\$364,834
Corporate Income Tax	16,943	5,280	2,649	24,872
Sales Tax	70,620	69,331	76,462	216,413
Product Taxes	3,807	3,779	4,103	11,689
Miscellaneous Revenues	2,314	3,054	45,853	51,221
Non-Revenue Receipts	<u>(677)</u>	<u>(292)</u>	<u>(445)</u>	<u>(1,414)</u>
Total Tax Revenues	\$319,543	\$137,669	\$210,403	\$667,615

Borrowable Cash Resources

The State Treasurer, pursuant to Section 67-1212, Idaho Code, is authorized to engage in short-term borrowings from cash balances in other funds in the State Treasury as identified in Table 7 to meet cash flow shortfalls in the General Fund, subject to the requirement that such amounts be repaid when General Fund monies are available. In the 2004 fiscal year, cash balances in the various funds maintained in the State Treasury are estimated to be \$1.631 billion at June 30, 2004. Set forth in Tables 6 and 7 are the actual internal cash borrowing resources available to the State Treasurer for the 1999-2003 (estimated for April, May and June, 2003) fiscal years and the estimated internal cash borrowing resources available for the 2004 fiscal year.

In prior years, the balance available at year-end in other funds controlled by the State Treasurer has been: estimated for the 2003 fiscal year 1.706 billion; 2002 fiscal year 1.899 billion; 2001 fiscal year \$1.754 billion; 2000 fiscal year \$1.416 billion; and 1999 fiscal year \$1.466 billion.

In addition to the cash balances listed above the State has funds invested in securities which are valued at \$2.579 billion as of April 30, 2003.

Authorized Investments

State law and the Treasurer's Investment Policy require that Note proceeds be invested in direct obligations of the Federal Government, FDIC insured certificates of deposit from banks located in the State, collateralized repurchase agreements or other investment instruments as specified in Section 67-1210 of the Idaho Code. The average maturity of the State's investment portfolio was 333 days at March 27, 2003.

Internal and External Notes

If the General Fund cash flow shortages exist for more than 30 days, the State Treasurer issues a tax anticipation note to correct the shortfall. The State Treasurer has issued internal tax

anticipation notes which are notes issued by the General Fund to borrow monies from other available State funds or accounts, and which are subject to the requirement that such amounts be repaid when General Fund monies are available. In each Fiscal Year from 1996 through 1999 the State issued one or two Internal Notes. These Notes were outstanding for periods of 12-66 days. They were all repaid by June 30 of the respective years. No internal notes were issued in Fiscal Years 2000 and 2001. For Fiscal Year 2002 the State issued an Internal Note for \$80,000,000 on March 22, 2002 which was repaid on June 28, 2002. For the Fiscal Year 2003 the State issued an Internal Note for \$130,000,000 on May 13, 2003 and will repay the Note on June 30, 2003. The State currently does not anticipate issuing any further Internal Notes for Fiscal Year 2003. In the past ten fiscal years the State Treasurer has issued External Tax Anticipation Notes (the "External Notes") which were sold in the open market. Table 2 sets forth the External Notes issued by the State Treasurer for the past ten fiscal years.

**TABLE 2
STATE OF IDAHO
EXTERNAL NOTES
Fiscal Years 1994-2003**

FISCAL YEAR	EXTERNAL NOTES
1994	170,000,000
1995	180,000,000
1996	200,000,000
1997	220,000,000
1998	300,000,000
1999	300,000,000
2000	300,000,000
2001	200,000,000
2002	250,000,000
2003	350,000,000

Source: Idaho State Treasurer

General Fund Cash Flow

The tables set forth on the following pages present the actual to-date and projected cash flow of the General Fund for May and June of the 2003 fiscal year and the projected cash flow for the 2003 fiscal year by major categories of receipts and disbursements. The 2004 fiscal year cash flow table evidences that all proceeds of the Notes are expected to have been expended within six months of their receipt. The cash flow tables should be read in conjunction with other information concerning the 2004 fiscal year budget. Certain assumptions regarding the 2004 fiscal year cash flow statements are set forth below and on the page following Table 4 (see "Assumptions Underlying The Monthly Allocation of 2004 Fiscal Year General Fund Disbursements").

Series 2002 Notes

The State issued \$350 million in Tax Anticipation Notes, Series 2002 (the "2002 Notes"), on July 1, 2002, which mature on June 30, 2003.

The 2002 Notes were issued in anticipation of the income and revenues and taxes to be received by the General Fund during the fourth quarter of the 2003 fiscal year. In accordance with the Act, all income and revenues from the taxes collected during the fourth quarter of the 2003 fiscal year shall be deposited into the Note Payment Account as received until the monies therein together with investment earnings shall be sufficient to pay principal and interest on the Notes at maturity.

Sufficient monies to redeem the Series 2002 Notes with full payment of interest at maturity have been deposited into the Note Payment Account held by the Escrow Agent. The State Treasurer deposited into the Note Payment Account by April 17, 2003, a total of \$360,470,833. These monies will be transferred to the paying agent on June 30, 2003, for payment of the Series 2002 Notes.

Fiscal Year 2003 Year End

The cash balance in the general fund is required to be balanced (at zero or higher) as of June 30, 2003. Based upon current revenue trends there is a potential that contingencies will be necessary to balance the budget. These contingencies include cancelling reappropriations and encumbrances of fiscal year 2003 spending authority. As a final balancing requirement it may be necessary to postpone some 2003 expenditures into fiscal year 2004. This may result in a negative impact on the 2004 cash flow, most likely in the month of July.

The State has been notified of a potential lawsuit that would assert that the State cannot defer the payment of 2003 obligations into 2004 fiscal year. The State has historically deferred some obligations from one fiscal year to the next. The Attorney General advises that the probability of success of such a case is low and that the claim would only affect the timing of payment and not affect the ability of the State to pledge or utilize the General Tax Revenues for the timely repayment of the Notes.

Fiscal Year 2004 Cash Flow Deficit

The 2004 fiscal year General Fund cash flow (before borrowing) is estimated to have a negative balance at the end of the months of July through March and May with the November month end cash deficit estimated to be \$302,566,000. (See Table 4 -"General Fund Cash Flow.") However, each month's mid-month cash deficit is estimated to be greater than the end-of-the-month deficit balance. This situation occurs because only approximately 20% of the month's revenues are received during the first two weeks while, on average, 80% of the month's expenditures occur during the same period. The majority of taxes are received during the second half of the month because of statutorily established dates for tax payments. A primary factor in the heavy percentage of first half expenditures are the required dates for General Fund transfers to the public schools. The mid-month deficit projected for November for the 2004 fiscal year is \$381,826,000 occurring on November 15, 2003.

TABLE 3
(Billings Tables 2003)

STATE OF IDAHO YEAR TO DATE ACTUALS FOR THE FISCAL YEAR ENDING JUNE 30, 2003													
(000 Omitted)	ACTUAL JUL	ACTUAL AUG	ACTUAL SEPT	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	PROJECTED JUNE	YTD Actual + May Projected TOTAL
BEG. CASH BAL. BEFORE BORROWING	20,180	14,742	(124,248)	(101,616)	(184,954)	(297,998)	(263,443)	(206,589)	(314,891)	(273,081)	(89,243)	(116,051)	20,180
RECEIPTS:													
Revenues:													
Individual Income Tax	52,148	55,785	54,034	57,459	56,367	68,618	90,122	56,512	59,293	166,092	53,348	77,706	847,484
Corporate Income Tax	3,804	3,061	18,073	4,965	2,376	10,706	3,029	1,556	6,808	21,006	5,510	2,935	83,829
Sales Tax	62,953	61,015	62,702	60,066	56,016	54,496	64,554	48,696	47,333	55,130	56,071	60,802	689,834
Product Taxes	1,796	1,973	1,952	1,850	1,842	1,861	1,870	1,889	1,689	1,588	1,844	1,787	21,498
Miscellaneous Revenues	10,255	1,715	11,104	2,436	1,966	9,339	1,229	11,539	6,683	7,471	4,218	45,267	113,222
TOTAL REVENUES	130,956	123,550	147,865	126,774	118,566	144,865	160,604	120,106	121,806	251,287	120,991	188,498	1,755,867
Transfers to General Fund 2	43,100	0	0	0	0	0	7,771	0	0	2,229	91,359	66,740	211,199
Non-Revenue Receipts	522	556	609	906	428	780	665	603	683	5,749	0	0	11,501
TAN - Interest (offset Int Exp)	2	31	403	687	876	503	602	525	485	688	0	0	4,802
TOTAL REVENUE/RECEIPTS	174,580	124,136	148,877	128,367	119,870	146,148	169,641	121,234	122,974	259,952	212,350	255,238	1,983,369
DISBURSEMENTS:													
Expenditures:													
Personnel Costs	35,454	48,673	33,838	33,855	32,745	32,544	43,637	31,092	31,050	30,012	27,662	31,772	410,334
Operating Costs	16,014	11,795	13,063	8,133	6,707	6,062	9,361	7,263	7,139	6,598	8,414	10,706	111,255
Capital Outlay	3,656	1,916	2,216	311	403	858	1,469	199	373	(57)	(10)	426	11,760
Trustee & Benefit Payments	18,059	9,578	15,693	8,114	6,071	5,847	15,815	4,166	4,207	6,202	4,799	3,933	102,484
Op. Transfers - Pub Sch	56,657	159,159	0	159,159	158,909	33,900	250	158,909	0	0	158,909	34,150	920,000
Op. Transfers - All Others	49,710	33,234	60,481	1,327	27,245	31,775	41,497	27,294	37,878	27,681	39,385	47,726	425,232
TOTAL EXPENDITURES	179,551	282,354	125,290	210,899	232,090	110,986	112,029	228,922	80,647	70,436	239,159	128,713	1,981,065
Non-Operating disbursements	467	772	956	807	834	607	759	616	516	16,150	0	0	22,484
TOTAL DISBURSEMENTS	180,018	283,126	126,246	211,706	232,914	111,593	112,788	229,537	81,163	76,114	249,630	128,713	2,003,549
END. CASH BAL. BEFORE BORROWING	14,742	(124,248)	(101,616)	(184,954)	(297,998)	(263,443)	(206,589)	(314,891)	(273,081)	(89,243)	(116,051)	0	0
BEG. AFTER-BORROWING BAL	20,180	364,742	225,753	248,385	165,046	52,002	86,557	118,552	10,249	34,483	(99,717)	3,475	20,180
BORROWING													
Internal Borrowing													
Receipt External TAN, Series 2002	350,000	0	0	0	0	0	0	0	0	0	130,000	(130,000)	0
Repayment External TAN, Series 2002	0	0	0	0	0	0	(24,858)	0	(17,575)	(307,567)	0	0	0
TOTAL NET BORROWING	350,000	0	0	0	0	0	(24,858)	0	(17,575)	(307,567)	130,000	(130,000)	(350,000)
NET RECEIPTS OVER (UNDER) DISB.	(5,438)	(138,990)	22,631	(83,339)	(113,044)	34,555	56,853	(108,303)	41,811	183,838	(26,808)	126,525	(20,180)
END. AFTER-BORROWING CASH BAL	364,742	225,752	248,384	165,046	52,002	86,557	118,552	10,249	34,483	(89,243)	3,475	0	0

NOTES: 1 The mid-month deficit for the 2003 fiscal year was \$378,769 on November 15, 2002.

2 The Idaho legislature in their 2003 Session authorized the following year end transfers to the General Fund this is in addition to transfers authorized during the 2002 Session)

HB 408 - 1,500 from the Capitol Endowment Income Fund and 1,100 from the Multi-state Tax Compact Fund

SB 1195 - 26,390 from the Budget Stabilization Fund, \$48,000 from the Permanent Building Fund, \$56,500 from the Millennium Fund and \$5,000 from the Retained Risk Fund

3 Ending Cash will be zero after contingency adjustments during fiscal year end processing - there is a potential negative impact to 2004 with possible delay of 2003 expenditures into fiscal year 2004.

Source: Division of Financial Management

TABLE 4
(Billings Tables 2003)

TABLE 4 STATE OF IDAHO PROJECTED GENERAL FUND CASHFLOW FOR THE FISCAL YEAR ENDING JUNE 30, 2004													
(000 Omitted)	PROJECTED JUL	PROJECTED AUG	PROJECTED SEPT	PROJECTED OCT	PROJECTED NOV	PROJECTED DEC	PROJECTED JAN	PROJECTED FEB	PROJECTED MAR	PROJECTED APR	PROJECTED MAY	PROJECTED JUNE	PROJECTED TOTALS
BEG. CASH BAL. BEFORE BORROWING ¹	0	(14,266)	(149,290)	(84,261)	(185,292)	(302,566)	(247,391)	(147,969)	(266,703)	(211,540)	30,214	(80,582)	0
RECEIPTS:													
Revenues:													
Individual Income Tax	53,616	54,646	53,804	58,201	53,710	75,231	103,303	55,114	63,254	226,536	56,417	81,781	935,713
Corporate Income Tax	4,617	4,213	15,490	5,740	2,180	20,825	4,912	4,250	4,884	16,943	5,280	2,649	91,983
Sales Tax	76,204	73,283	71,658	77,836	69,417	68,730	84,538	57,389	60,654	70,620	69,331	76,462	859,122
Product Taxes	4,067	4,056	4,264	3,804	3,871	3,783	3,675	3,419	3,580	3,807	3,779	4,103	46,210
Miscellaneous Revenues	2,578	2,307	10,170	2,739	2,175	9,117	2,517	4,216	6,554	2,314	3,054	45,853	93,594
Legislative Adjustment ⁴	(288)	(293)	(335)	(314)	(278)	(376)	(421)	(263)	(294)	(677)	(292)	(445)	(4,286)
TOTAL REVENUES	140,784	138,212	158,051	148,006	131,075	177,312	198,524	124,125	138,632	319,543	137,669	210,403	2,022,336
Transfers to General Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE/RECEIPTS	140,784	138,212	158,051	148,006	131,075	177,312	198,524	124,125	138,632	319,543	137,669	210,403	2,022,336
DISBURSEMENTS:													
Expenditures:													
Personnel Costs	35,425	52,131	36,980	36,195	35,375	36,203	49,060	35,141	35,261	34,955	34,059	29,543	450,328
Operating Costs	14,320	12,657	10,601	10,619	11,191	9,659	9,757	7,892	8,739	7,780	8,278	10,263	121,756
Capital Outlay	1,498	1,429	923	932	701	796	353	408	473	672	683	1,731	10,599
Trustee & Benefit Payments	12,068	5,404	9,120	4,528	4,568	5,482	5,626	2,871	3,347	4,539	4,049	3,293	64,895
Op. Transfers - Pub Sch	34,028	167,319	167,318	167,318	167,069	36,315	167,318	167,318	167,318	250	167,069	36,315	943,001
Op. Transfers - All Others	57,651	34,356	35,498	29,445	29,445	33,682	34,306	29,229	35,649	29,593	34,327	44,007	427,038
TOTAL EXPENDITURES	154,999	273,296	93,022	249,037	248,349	122,137	99,102	242,859	83,469	77,789	248,465	125,152	2,017,667
Non-Operating disbursements	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	154,999	273,296	93,022	249,037	248,349	122,137	99,102	242,859	83,469	77,789	248,465	125,152	2,017,667
END. CASH BAL. BEFORE BORROWING	(14,266)	(149,290)	(84,261)	(185,292)	(302,566) ¹	(247,391)	(147,969)	(266,703)	(211,540)	30,214	(80,582)	4,669	
BEG. AFTER-BORROWING BAL.	0	360,794	225,710	290,739	189,708	72,434	127,609	227,031	108,297	163,460	30,214	(80,582)	0
BORROWING:													
Internal Notes:													
External Notes:													
Receipt	375,000												375,000
(Repayment)													(375,000)
TOTAL NET BORROWING	375,000											0	0
NET RECEIPTS OVER (UNDER) DISB.	(14,266)	(135,084)	65,029	(101,031)	(117,274)	55,175	99,422	(118,734)	55,163	241,754	(110,786)	85,251	4,669
END. AFTER-BORROWING CASH BAL.	360,794	225,710	290,739	189,708	72,434	127,609	227,031	108,297	163,460	30,214	(80,582)	4,669	
¹ The projected mid-month deficit for the 2004 fiscal year is \$ 381,826 on November 15, 2002.													
² Cash Flow in May will be offset through Internal Borrowing.													
³ Beginning Cash will be zero after contingency adjustments during 2003 fiscal year end processing - there is a potential negative impact of expenditures delayed to 2004.													
⁴ The Legislature adopted a FY 2004 Base General Fund revenue number that is \$4,285,000 less than the executive projection, however it is not allocated by source and is shown as a separate line item reducing projected revenue.													
Source: Division of Financial Management													

ASSUMPTIONS UNDERLYING THE MONTHLY ALLOCATION OF 2004 FISCAL YEAR GENERAL FUND DISBURSEMENTS

The 2004 fiscal year General Fund disbursements as shown on Table 4 are classified as Personnel Costs, Operating Costs, Capital Outlay, Trustee & Benefit Payments, Operating Transfers - Public Schools and Operating Transfers - All Other. The total amount allocated to each classification was determined by consolidating all the 2004 fiscal year appropriations. Once the total classifications were determined, the monthly allocations were made in the following manner:

Personnel Costs

The total personnel cost appropriation was based on the average of the five previous fiscal years with those months with three paydays assigned to the month in which those pay dates fell.

Operating Costs, Capital Outlay, Trustee and Benefit Payments

These costs were allocated on the basis of the average of the five previous fiscal years' monthly expenditure pattern.

Operating Transfers - Public Schools

Public School aid payments were allocated to the months in which the payments are to be made per Idaho Code (see "Use of Proceeds").

Operating Transfers - All Other

The agencies receiving authority to transfer funds from the General Fund were consulted as to timing of transfers.

Interest Expense on Tax Anticipation Notes

Since the decision to issue or not to issue tax anticipation notes (TANs) is made subsequent to the legislative session, legislative revenue estimates do not include interest earnings on unused TAN proceeds, nor do expenditure estimates include the related interest expense. As indicated in Table 3, interest expense on the Series 2002 Notes was \$10,470,833. Interest expense on the Series 2003 Notes will be \$7,479,167. However, since the 2004 fiscal year legislative revenue estimate does not include a provision for interest earnings on the Notes, TAN interest revenues and expenses have been netted to zero on Table 4.

The estimates of amounts and timing for receipts and disbursements for the 2004 fiscal year cash flow statement are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

TABLE 5
(Billings Tables 2003)

STATE OF IDAHO					
CASH FLOW SUMMARY BY QUARTER					
For the Fiscal Year Ending June 30, 2004					
(000s omitted)					
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
BEGINNING CASH BALANCE *	\$ -	\$290,739	\$127,609	\$163,460	\$ -
REVENUES					
Individual Income Tax	\$162,066	\$187,142	\$221,671	\$364,834	\$ 935,713
Corporate Income Tax	24,320	28,745	\$14,046	\$24,872	91,983
Sales Tax	224,145	215,983	\$202,581	\$216,413	859,122
Product Taxes	12,387	11,460	\$10,674	\$11,689	46,210
Miscellaneous Revenues	15,055	14,031	\$13,287	\$51,221	93,594
Legislative Adjustment	(926)	(968)	(978)	(1,414)	(4,286)
TOTAL REVENUES	\$437,047	\$456,393	\$461,281	\$667,615	\$2,022,336
Non-revenue Receipts	-	-	-	-	0
TOTAL REVENUE/RECEIPTS	\$437,047	\$456,393	\$461,281	\$667,615	\$2,022,336
DISBURSEMENTS					
Expenditures:					
Personnel Costs	\$124,536	\$107,773	\$119,462	\$98,557	\$450,328
Operating Expense	37,578	\$31,469	\$26,388	\$26,321	121,756
Capital Outlay	3,850	\$2,429	\$1,234	\$3,086	10,599
Trustee & Benefit Payments	26,592	\$14,578	\$11,844	\$11,881	64,895
Operating Transfers-Pub Sch	201,347	\$370,702	\$167,318	\$203,634	943,001
Operating Transfers-All Other	127,405	\$92,572	\$99,184	\$107,927	427,088
TOTAL APPROPRIATED EXPENDITURE	\$521,308	\$619,523	\$425,430	\$451,406	\$2,017,667
Non-operating					
Disbursements	0	0	0	0	0
Net Interest Rev/Exp on TAN	0	0	0	0	0
TOTAL DISBURSEMENTS	\$521,308	\$619,523	\$425,430	\$451,406	\$2,017,667
TAX ANTICIPATION NOTES:					
Receipt	375,000				375,000
Repayment				(375,000)	(375,000)
ENDING CASH BALANCE	\$290,739	\$127,609	\$163,460	\$4,669	\$4,669
* Beginning Cash will be zero after contingency adjustments during 2003 fiscal year end processing - there is a potential negative impact of expenditures delayed to 2004					
Source: Division of Financial Management					

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TABLE 6
(Billings Tables 2003)

STATE OF IDAHO												
INTERNAL CASH BORROWING RESOURCES												
FISCAL YEARS - 1998-2003												
(000's Omitted)												
	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY-1999 Actual	1,261,008	1,360,556	1,162,746	1,303,871	1,368,331	1,433,744	1,478,647	1,645,676	1,607,544	1,512,617	1,530,839	1,466,813
FY-2000 Actual	1,445,444	1,513,602	1,288,525	1,433,239	1,523,383	1,512,125	1,560,710	1,686,156	1,586,562	1,523,625	1,588,239	1,416,440
FY-2001 Actual	1,408,649	1,471,907	1,245,545	1,426,418	1,450,448	1,477,378	1,536,093	1,681,531	1,665,790	1,615,503	1,687,941	1,754,061
FY-2002 Actual	1,675,140	1,715,311	1,473,750	1,664,740	1,762,509	1,992,533	1,890,480	2,034,722	1,861,137	1,765,004	1,810,638	1,899,273
FY-2003 Actual	1,796,910	1,874,822	1,615,603	1,776,614	1,992,668	2,314,906	2,147,199	2,253,149	2,153,044	1,950,569	1,632,060	1,706,018
FY-2004 Estimated	1,753,788	1,835,299	1,734,262	1,735,866	1,951,904	2,274,291	2,105,974	2,216,915	2,116,685	1,897,827	1,554,843	1,631,264
NOTES:	1) May and June are estimated for 2001											

TABLE 7
(Billings Tables 2002)

TABLE 7 STATE OF IDAHO ESTIMATED AVAILABLE CASH BORROWING RESOURCES FISCAL YEAR 2004												
(000's Omitted)												
	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
NON-INTEREST BEARING												
Lottery	2,565	647	2,903	3,632	6,054	11,951	10,302	12,017	14,894	16,830	15,071	16,035
Co-Op Welfare	15,066	19,311	26,267	19,467	17,921	8,092	20,318	13,958	7,820	15,270	43,897	16,901
Co-Op DEQ	1,925	262	456	1,309	1,303	2,683	1,469	2,098	2,137	2,748	1,160	897
Permanent Building	17,230	16,710	16,022	15,377	13,236	12,706	12,013	8,330	12,516	11,750	10,912	10,116
Tax Commission Refunds	6,958	17,239	29,290	35,790	42,820	55,697	63,990	41,446	16,895	11,198	10,079	9,071
Circuit Breaker/Sales Tax	11,571	22,832	34,361	14,742	25,205	28,024	11,903	21,278	30,435	14,249	23,721	27,246
Department of Lands	11,138	10,676	10,424	10,805	10,876	10,530	11,395	11,680	11,399	10,760	10,869	10,919
State Regulatory Agency Accts	27,961	26,904	26,554	26,451	28,836	29,990	29,147	30,266	32,517	32,095	32,581	31,079
Water Pollution Control	2,310	2,598	2,894	1,596	1,874	2,160	951	757	1,442	1,517	1,532	1,456
Endowments	24,882	20,787	16,739	16,744	16,604	10,767	8,849	8,377	6,984	4,597	3,323	1,430
Public school Income	3,289	3,427	3,695	3,918	4,331	4,454	4,503	4,561	4,613	4,651	3,136	3,134
All Other Non Interest Bearing Funds	118,349	121,555	125,682	120,205	114,593	126,713	151,341	137,063	145,837	138,684	1,560	1,387
TOTAL NON-INTEREST BEARING	243,244	262,948	295,287	270,036	283,653	303,767	328,181	291,831	287,489	264,349	157,841	129,671
INTEREST BEARING												
Unemployment Clearing	94,979	94,377	94,809	94,835	94,797	98,231	101,743	101,952	99,954	98,349	49,270	114,114
Group Insurance	25,502	16,144	23,486	24,879	25,310	28,202	28,765	29,281	29,838	31,133	96,592	94,444
State Highway Accounts	34,846	40,466	44,574	21,770	37,200	47,304	36,273	43,533	57,133	40,621	29,775	27,795
Budget Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Risk Management	7,074	5,808	8,067	9,475	11,196	11,248	11,049	10,609	10,298	10,106	10,106	10,106
Idaho Millennium Fund	1,458	1,430	1,549	1,565	1,617	1,685	1,719	1,796	1,746	1,775	1,805	1,835
Public School Income	3,289	3,427	3,695	3,918	4,331	4,454	4,503	4,561	4,613	4,651	6,628	6,217
Land Improvement	106,992	110,660	114,800	120,488	126,170	131,113	129,386	133,966	132,383	133,007	7,570	7,696
Liquor Control	5,778	6,871	6,301	3,985	4,145	8,537	6,805	6,841	8,684	7,446	7,660	5,307
Petroleum Price	5,989	6,003	6,084	6,107	6,173	6,194	6,252	6,294	6,342	6,354	5,916	6,022
Interagency Billing Accounts	3,860	4,925	4,893	5,494	4,777	4,669	5,539	6,319	5,743	5,131	4,361	3,488
Joint Exercise of Powers	1,069,816	1,149,932	996,946	1,039,390	1,199,383	1,485,712	1,307,246	1,433,010	1,331,285	1,153,954	1,092,331	1,223,079
Catastrophic Health Care	9,011	8,489	7,840	7,148	6,369	5,874	4,630	3,480	2,183	1,905	83,428	103
All Other Interest Bearing funds	141,950	123,819	125,931	126,776	146,793	137,301	135,883	143,442	138,994	139,046	1,560	1,387
TOTAL INTEREST BEARING	1,510,544	1,572,351	1,438,975	1,465,830	1,668,251	1,970,524	1,779,793	1,925,084	1,829,196	1,633,478	1,397,002	1,501,593
TOTAL INTERNAL CASH BORROWING RESOURCES	1,753,788	1,835,299	1,734,262	1,735,866	1,951,904	2,274,291	2,105,974	2,216,915	2,116,685	1,897,827	1,554,843	1,631,264
Source: Division of Financial Management												

UNOBLIGATED CASH BALANCE

The General Fund unobligated cash balance for the past ten years is listed below. These figures represent the ending cash balance less encumbrances.

<u>Fiscal Year</u>	<u>Unobligated Cash Balance</u>
1994	36,752,460
1995	2,925,985
1996	11,697,800
1997	13,346,000
1998	35,640,563
1999	46,555,079
2000	179,524,220
2001	178,460,257
2002	0
2003 (estimated)	0

Source: Division of Financial Management

STATE FINANCES

Statewide Accounting Policies and Practices

The Statewide Accounting and Reporting System (STARS) is an accounting, financial reporting and budgetary control system and is the accounting system of record for the State of Idaho. The State maintains records on a budgetary (cash) basis during the fiscal year and records adjustments for financial reporting purposes at fiscal year end.

Financial Reporting and Budgeting

The State produces a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles as defined by the Government Accounting Standards Board that can be viewed at www.sco.state.id.us. The CAFR has received unqualified audit opinions from the State's auditors and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association since 1997.

The State Division of Financial Management prepares the Governor's budget; monitors legislative action involving the budget; and produces the Revenue and Economic forecasts. The Governor's Executive Budget; the Budget Activities Summary which includes legislative action taken through the 2003 session and delineates changes to the Governor's budget; and the General Fund Revenue Book are all available at <http://www2.state.id.us/dfm/>.

State Financial Administration

The State Controller is responsible for maintaining the uniform Statewide Accounting and Reporting System (STARS). This system records the budgetary and financial transactions of the State for the General Fund and all other funds maintained by the State Treasurer.

The State Treasurer is responsible for the receiving and disbursement of all State monies, management of all bank accounts and investments of surplus cash. Some funds are invested separately and the remaining cash balances are combined for investment purposes. All interest earned is credited to the General Fund unless otherwise required by law.

Revenue Projection Process

Since 1993 (FY 1994), the Legislature has not produced its own revenue forecast. However, a joint legislative economic outlook committee meets at the beginning of the legislative session to review the executive revenue forecast and advise legislative leadership concerning the viability of that forecast.

During the interim period between legislative sessions, monthly cash receipts are tracked. A revenue monitoring group composed of representatives of the State Treasurer, Legislative Services (two representatives, one from Legislative Audits and one from Legislative Budget and Policy Analysis), the State Controller, the State Tax Commission and the Division of Financial Management reviews actual receipts and projections on a monthly basis. Legislative leaders are kept informed of trends and prospects by the Legislative Budget and Policy Analysis Section.

The Legislature and Governor of the State have a constitutional responsibility for achieving a balanced budget. In 2003 the legislature did adopt a general fund revenue forecast that was slightly different than the executive forecast. The legislative forecast was not developed at the individual revenue item level, but instead was based on the median of each committee member's best estimate of total FY 2003 and FY 2004 general fund revenue. For FY 2003 the legislative revenue forecast is \$6.5 million lower than the executive forecast, and for FY 2004 it is \$4.3 million lower.

Executive Revenue Forecasts

The Executive branch forecasts General Fund revenues for use in the development of the Executive Budget and for management of current year fiscal operations. Official Executive Revenue Forecasts are released two times each year and monthly revenues are monitored year-round on an on-going basis. The semiannual forecast update cycle results in three separate executive revenue forecasts for each fiscal year. The first occurs in January, six months before the start of the fiscal year in question. The second is in July, at the beginning of the fiscal year in question. The third, and final, forecast is in January at the midpoint through the fiscal year in question.

IDAHO MILLENNIUM FUND

During the legislative 2000 session, the Idaho Legislature amended Title 67 of the Idaho Code by adding Chapter 18 relating to the Idaho Millennium Fund. This legislation has established an endowment fund to receive, invest, and disburse funds that the State of Idaho is receiving as a result of the master settlement agreement reached with tobacco companies. On April 30, 2003 the market value of this fund was \$62,388,517.81.

On May 5, 2003, the Governor signed Senate Bill 1195. This legislation provides for a transfer of \$3,236,900 to the Millennium Income Fund to cover program expenditures for Fiscal Year 2004 as approved by the Idaho Legislature. Additionally, this bill directs all remaining balances in the Millennium Fund to be transferred prior to June 29, 2003 to the General Fund.

RECENT FINANCIAL INFORMATION REGARDING THE STATE

Fiscal Year 2004

The total amount of General Funds forecasted to be available in FY 2004 (based upon original executive revenue forecast) is \$2,014,996,500. This consists of \$6,274,200 in beginning balance, \$1,846,433,000 in original projected revenues (executive forecast), less \$4,285,900 in legislative adjustment to the revenue forecast, less \$13,447,100 in transfer to local government for property tax relief, plus \$160,000,000 in additional revenue from a 1 percentage point increase in the sales tax, plus \$23,500,000 in additional revenue from a 29 cent per pack increase in the cigarette tax, less \$3,477,700 in net revenue adjustments that result from 8 other law changes that were enacted during the 2001 legislative session.

The original executive revenue forecast for FY 2004 is \$73.4 million (4.1 percent) above the revised FY 2003 executive forecast. These forecasts were modified by the legislature in its mid-February Joint Revenue Assessment Committee. That committee reduced the FY 2003 forecast by \$6.5 million, and reduced the FY 2004 forecast by \$4.3 million. This has the effect of yielding a legislative forecast for General Fund revenue growth of 4.3 percent in FY 2004. The legislative forecast is currently being used for budgeting purposes, but unfortunately there is no detail associated with the legislative forecast. Because of this lack of detail, the following discussion concerning revenue detail will be based on the current executive forecast. The legislative adjustment is treated as a lump-sum adjustment to the total.

The largest category of revenue growth forecast for FY 2004 in absolute terms is the individual income tax. After a projected increase of 6.0 percent in FY 2003, the individual income tax is expected to grow 5.2 percent in FY 2004 to \$932.6 million. The growth rate for FY 2003 is distorted by one-time factors associated with the income tax reductions enacted in the 2001 legislative session. The largest distortion to the FY 2003 growth rate is due to a large amount of over withholding that occurred in the first half of the 2001 tax year (the second half of FY 2001) that had to be refunded (or led to lower payments) in FY 2002. Additional minor distortions are associated with one-time tax reductions that impacted FY 2002 but not FY 2003. Without these distortions, the normalized individual income tax revenue forecast for FY 2003 would have been 2.2% growth. The normalized growth rate for FY 2004 is 5.2%, the same as the actual forecast. It should be noted that this forecast was produced in early December 2002. It was based on a recovery in high-tech manufacturing in mid-2003 that now appears highly unlikely.

Several actions by the 2003 legislative session impacted the FY 2004 individual income tax forecast and are not reflected in the original executive forecast. HB 79 (miscellaneous adjustments) is estimated to reduce revenue by \$50,000. HB 130 (eliminate electronic filing credit) is estimated to increase revenue by \$293,200. Finally, SB 1201 (adds compliance staff to the tax commission) is expected to raise a total of \$5,325,000, of which \$2,870,600 is from the individual income tax. Combined, these three actions increase the adjusted FY 2004 individual income tax forecast to \$935,713,800, a 5.6% increase over FY 2003.

The corporate income tax is forecast to grow by \$5.7 million (6.6 percent) to \$91.7 million in FY 2004, from \$86.0 million in FY 2003. This follows projected growth of 12.7% in FY 2003. These figures are not normalized. On a normalized basis FY 2003 is forecast to grow 0.7 percent, and FY 2004 is forecast to grow by 5.5 percent. The difference between the actual forecast and the normalized forecast is the normalized forecast adds back \$18.4 million in FY 2003 and in FY 2004. These additions are the net revenue losses associated with tax relief enacted in the 2001 legislative session.

One action by the 2003 legislative session impacted the FY 2004 corporate income tax forecast and is not reflected in the original executive forecast. SB 1201 (adds compliance staff to the tax commission) is expected to raise a total of \$5,325,000, of which \$282,200 is from the corporate income tax. This action increases the adjusted FY 2004 corporate income tax forecast to \$91,982,200, a 7.0% increase over FY 2003.

The sales tax forecast is for an increase of \$26.8 million (3.9 percent) to \$705.7 million in FY 2004. The sales tax rate was increased in the 2003 legislative session (HB 400) effective May 1, 2003. This is expected to generate an additional \$160.0 million in FY 2004. Three other bills were enacted in the 2003 legislative session that impact FY 2004 sales tax revenue. HB 74 (liability responsibility) increases revenue by \$250,000. HB 452 (contractor exemption) reduces revenue by \$9,000,000. SB 1201 (adds compliance staff to the tax commission) is expected to raise a total of \$5,325,000, of which \$2,172,200 is from the sales tax. The combined impact of all sales tax related law changes is an increase to the adjusted FY 2004 sales tax forecast to \$859,122,200, a 23.6% increase over FY 2003.

General Fund revenues from the product taxes are forecast to grow by \$0.59 million (2.7 percent) in FY 2004. The bulk of the increase is from tobacco products, and is due to tax increases in Washington and Oregon. The cigarette tax is scheduled to increase to \$0.57 per pack on June 1, 2003 (HB 264). This is estimated to produce \$26 million in additional revenue, of which the first \$23,500,000 goes to the General Fund revenue in FY 2004. The remainder (anything above \$23.5 million) goes to the newly created Economic Recovery Reserve Fund. This action increases the adjusted FY 2004 product tax forecast to \$46,210,000, a 109.0% increase over FY 2003.

Miscellaneous revenues were originally projected to fall by \$6.07 million (6.1 percent) in FY 2004 due to a combination of lower interest earnings, federal phase-out of the state "pickup" of the estate tax, and reduced transfers. Two actions of the 2003 legislative session (HB 76 and SB 1028) increase this slightly to a decline of \$6.20 million (6.2 percent). This results in an adjusted FY 2004 miscellaneous revenue forecast of \$93,594,100, a 6.2% decrease from FY 2003.

Expenditures authorized for FY 2004 consist of \$1,921,989,200 in base spending plus \$82,063,800 in adjustments and enhancements. An ending balance of \$10,943,500 is anticipated. (Note: this ending balance is predicated on the original executive revenue forecast that was produced in December 2002 as modified by the legislature in its February revenue assessment meetings. That revenue forecast has not been formally updated, but is almost certainly too high. Further action will be necessary in early FY 2004 to either increase revenues or cut expenditures, or both.)

Agency enhancements totaled \$28,277,600 in FY 2003. The majority of these enhancements (\$22,749,000) went to Public Schools.

State departments received the remaining \$5.53 million for enhancements. This is a net figure, meaning that some “enhancements” were actually discretionary reductions. A good example of this is a \$1.7 million reduction to the Department of Parks and Recreation. A reduction of \$1.2 million was made to the Judicial Branch. The only increases exceeding a half million dollars were \$5.9 million to the Department of Administration, \$740,000 to the Department of Revenue & Taxation, and \$625,000 to the Attorney General.

Operating Expense and Trusty Benefit Payment inflation were limited to \$8.4 million. Health & Welfare received \$7.4 million, and Public Schools received \$1.0 million.

Replacement Capital Outlays were also very limited, totaling just \$1.5 million. The Department of Corrections received \$405,700, and the Department of Juvenile Corrections received \$949,900.

There was no state department employee salary increases in FY 2004. Personnel Benefits were increased \$8.8 million to mitigate a portion of expected increases in health care premium rates.

Annualizations are \$200,000 in FY 2004, and fund shifts totaled \$4.6 million.

Finally, Nonstandard Adjustments total \$30.2 million in FY 2004. These are maintenance of current operations items associated with enrollment increases, caseload increases, etc. \$14.6 million of this amount went to public schools. \$10.9 million of FY 2004 nonstandard adjustments were in Health & Welfare primarily for Medicaid increases. The Department of Corrections received a \$1.7 million nonstandard adjustment, and Colleges & Universities received \$0.8 million. All other nonstandard adjustments were for less than half a million dollars.

Fiscal Year 2003

Total General Funds projected to be available in FY 2003 are \$1,955,985,300. This consists of a \$1,343,300 beginning balance, plus \$1,766,547,100 in projected revenues, plus \$192,768,500 in transfers from other funds, less \$17,963,600 in transfers out of the General Fund, plus \$13,000,000 from the May 1 sales tax increase, plus \$290,000 due to eliminating the income tax electronic filing credit.

General Fund expenditures are projected to total \$1,949,711,100. This consists of \$1,967,895,400 in original appropriations, plus \$1,343,300 in prior year reappropriations, less \$19,527,600 in net supplementals. The projected ending balance (based upon original executive revenue forecast) is \$6,274,200.

The current FY 2003 base revenue forecast of \$1,773.1 million is \$171.1 million lower than the original executive revenue forecast of \$1944.2 million made in December 2001. \$3.1 million of this reduction is due to law changes, primarily Internal Revenue Code conformance. The remainder (\$168.0 million) is due to downward forecast revisions.

The individual income tax accounts for the majority of the downward revision to the FY 2003 revenue forecast. The individual income tax has been revised downward by \$136.6 million (13.4 percent) to \$886.2 million due to substantially weaker economic and revenue conditions than were forecasted in late 2001. In December 2001 the projected growth rate for the individual

income tax in FY 2003 was 8.8%. The current projected growth rate is 6.0%. The FY 2002 starting point was expected to be \$940.2 million in the December 2001 forecast, but the actual FY 2002 starting point (and the one used for the December 2002 forecast) was only \$835.9 million. The individual income tax also gets a \$290,000 boost in FY 2003 from HB 130, which eliminates a \$2 credit for electronic filing.

The corporate income tax forecast for FY 2003 has been revised downward by \$26.2 million (23.4 percent) to \$86.0 million on the basis of weaker than expected performance in FY 2002, and lower (12.7% vs. 20.1%) growth expected in the current forecast versus the December 2001 forecast. The FY 2002 starting point was expected to be \$93.4 million in the December 2001 forecast, but the actual FY 2002 starting point (and the one used for the December 2002 forecast) was only \$76.3 million.

The sales tax forecast has been revised downward by \$6.8 million (1.0 percent) to \$678.9 million on the basis of slightly weaker than expected actual revenue results in FY 2002 and slightly weaker projected economic performance in 2001 and 2002. HB 400, the sales tax increase, yields an additional \$13 million in FY 2003 due to its May 1 implementation date.

The product tax category has been revised upward by \$2.0 million (9.7 percent) to \$22.13 million. This increase is due to higher than expected sales of tobacco products in Idaho that appears to be related to significant rate increases in Washington and Oregon. The miscellaneous revenue forecast has been revised downward \$3.5 million (3.4 percent) to \$99.8 million.

Fiscal Year 2002

General Fund revenue in FY 2002 was \$1,700,428,900. An additional \$184,817,100 was available as a carryover from the prior year. Transfers out of the General Fund totaled \$17,143,600. Transfers into the General Fund totaled \$111,931,200. Cancellation of prior year encumbrances totaled \$831,300. Total funds available in FY 2002 were \$1,980,864,900.

General Fund revenue growth was -14.3% in FY 2002. This was \$123.7 million, or 6.8 percent, lower than the revised executive forecast made in December 2001.

The weakest revenue growth in FY 2001 in percentage terms was from the corporate income tax. Its decrease of \$65.2 million (-46.1%) was \$17.1 million more than the 34.0% decrease that was expected. FY 2002 corporate income tax collections of \$76.3 million were the lowest corporate income tax collections since FY 1993, which produced \$70.0 million.

The individual income tax had the largest actual decrease in FY 2002. Its decline of \$188.1 million (-18.4 percent) was \$104.3 million more than the 8.2% decrease that was expected. FY 2002 individual income tax collections of \$835.9 million were the lowest individual income tax collections since FY 1998, which produced \$776.2 million. The expected declines in both the individual and corporate income taxes were due to tax relief enacted during the 2001 legislative session. The unexpected portion was due to a combination of poor economic performance and the collapse in capital gains related to the stock market correction.

The sales tax grew by \$9.8 million (1.5 percent) in FY 2002. This is \$2.2 million lower than the forecast of 1.9% growth made in the December 2001 revised executive forecast.

The product tax revenue category grew by \$0.3 million (1.5 percent) in FY 2002. This was \$0.7 million better than the 0.4 percent decline expected in the December 2001 revised executive forecast.

Miscellaneous revenues fell by \$41.0 million in FY 2002, a 27.1 percent increase. This is \$0.5 million lower than the 26.8% decline expected in the December 2001 executive revenue forecast. The bulk of this decrease was due to a \$28.2 million drop in estate tax collections, which in FY 2001 had two unusually large payments. Another \$11.0 million drop occurred in interest earning, which fell by almost half.

General Fund spending in FY 2002 consisted of \$2,044,295,100 in original appropriations, plus \$6,452,400 in prior year reappropriations, plus \$6,279,800 in positive supplementals, less \$64,107,500 in negative supplementals, plus \$267,000 in spending from asset sales and insurance settlements, less \$13,665,200 in reversions and next year reappropriations.

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TABLE 8
IDAHO ECONOMIC INDICATORS

	Calendar Years				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u> (Projected)
Personal Income (millions)	\$ 31,314	\$ 32,525	\$ 33,646	\$ 35,080	\$ 36,956
Percent Change	8.2%	3.9%	3.4%	4.3%	5.3%
Total Nonfarm Employment	559,255	568,305	564,095	564,687	573,411
Percent Change	3.7%	1.6%	-0.7%	1.0%	1.5%
Goods Producing Employment	116,067	114,591	107,055	103,189	101,839
Percent Change	2.2%	-1.3%	-6.6%	-3.6%	-1.3%
Service Producing Employment	443,188	453,714	457,040	461,498	471,573
Percent Change	4.1%	2.4%	0.7%	1.0%	2.2%
Population (thousands)	1,299.131	1,320.650	1,341.015	1,355.059	1,369.218
Percent Change	1.8%	1.7%	1.5%	1.0%	2.2%
Housing Starts (Idaho)	11,535	12,258	13,225	12,971	11,848
Single Unit	10,392	10,444	11,181	11,724	10,729
Multiple Unit	1,143	1,814	2,044	1,247	1,119

Selected U.S. Production Indices (1996 = 100)

Lumber & Wood Products	104.4	97.0	96.8	93.7	92.2
Office & Computer Equipment	303.3	297.0	340.1	428.1	579.3
Electrical Machinery	294.9	296.1	284.7	313.2	412.5
Electronic Components	627.6	686.2	762.0	912.5	1259.7
Food	107.5	106.1	106.6	107.7	111.8
Paper	102.6	97.2	96.4	98.9	102.9
Agricultural Chemicals	91.2	83.4	80.5	80.2	82.4
Mining, Except Oil & Gas	105.5	103.1	99.7	98.72	100.4

Selected U.S. Producer Prices (1982 = 100)

All Items	132.7	134.2	131.1	135.8	136.0
Lumber & Wood Products	178.2	174.4	173.3	172.3	176.0
Machinery & Equipment	124.0	123.6	122.9	122.4	122.7
Farm	99.6	103.8	99.0	105.3	108.7
Pulp, Paper & Allied Products	183.7	184.8	185.9	192.4	200.1
Chemicals	151.0	151.8	151.9	159.2	161.8

Sources: DRI*WEFA and *Idaho Economic Forecast*, April 2003

TABLE 9
(Billings Tables 2003)

STATE OF IDAHO				
GENERAL FUND				
SUMMARY OF THE 2004 FISCAL YEAR BUDGET				
(Cash Basis)				
(000s omitted)				
		BUDGET		PERCENT
Unobligated Cash Balance July 1 *		\$0		
Add Beginning Encumbrances		0		
Beginning Cash Balance		\$0		
REVENUES				
Individual Income Tax		\$935,713		46.27%
Sales Tax		\$91,983		4.55%
Corporate Income Tax		\$859,122		42.49%
Cigarette Tax		32,700		1.62%
Tobacco Tax		4,700		0.23%
Beer and Wine Tax		3,865		0.19%
Kilowatt Tax		1,700		0.08%
Mine License Tax		100		0.00%
Liquor Surcharge		4,945		0.24%
Estate Tax		4,050		0.20%
Insurance Premium Tax		54,649		2.70%
Total Taxes		\$1,993,527		98.57%
State Treasurer		\$6,000		0.30%
Court Fines		5,300		0.26%
Miscellaneous		21,796		1.08%
Legislative Adjustment		(4,287)		-0.21%
Total Revenues		\$2,022,336		100.00%
Transfers to General Fund (One Time)		0		
Total Revenue and Transfers		\$2,022,336		
EXPENDITURES				
Public Schools		\$943,000		46.74%
Higher Education		289,284		14.34%
Health and Welfare		375,810		18.63%
All Others		409,573		20.29%
Total Appropriated Expenditures		\$2,017,667		100.00%
Nonoperating Rec./Disb. (net)		\$0		
Net Interest Rev/Exp on TAN		0		
Ending Cash Balance		4,669		
Less Encumbrances/Reappropriations		0		
Unobligated Cash Balance June 30		\$4,669		
* Beginning Cash will be zero after contingency adjustments during 2003 fiscal year end processing - there is a potential negative impact of expenditures delayed to 2004				
Source: Division of Financial Management				

TABLE 10
(Billings Tables 2003)

STATE OF IDAHO STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES FISCAL YEARS 1999 - 2003											
(Cash Basis) (000s omitted)											
	2003 ¹ \$	%	2002 \$	%	2001 \$	%	2000 \$	%	1999 \$	%	
UNOBLIGATED CASH BALANCE JULY 1	\$1,343		\$182,692		\$179,524		\$46,555		\$35,640		
ADD BEGINNING ENCUMBRANCES	18,837		13,534		18,152		16,045		8,452		
BEGINNING CASH BALANCE	\$20,180		\$196,226		\$197,676		\$62,600		\$44,092		
REVENUES											
Individual Income Tax	859,042	48.79%	835,855	49.15%	1,023,970	51.60%	960,169	51.60%	841,865	52.36%	51.40%
Corporate Income Tax	84,169	4.75%	76,296	4.49%	141,527	7.13%	124,873	7.13%	95,438	6.81%	5.93%
Sales Tax	688,895	38.90%	657,119	38.64%	647,294	32.61%	627,503	32.61%	588,797	34.22%	35.95%
Cigarette Tax	8,200	0.45%	8,001	0.47%	7,981	0.40%	7,295	0.40%	7,230	0.40%	0.44%
Tobacco Tax ³	4,275	0.24%	4,313	0.25%	4,063	0.20%	N/A		N/A		
Beer and Wine Tax	3,880	0.21%	3,762	0.22%	3,715	0.19%	3,717	0.20%	3,580	0.20%	0.22%
Kilowatt Tax	1,600	0.09%	1,795	0.10%	1,798	0.09%	2,765	0.09%	2,890	0.15%	0.18%
Mine License Tax	121	0.01%	816	0.05%	245	0.01%	(859)		1,983	-0.04%	0.12%
Liquor Surcharge	4,945	0.28%	4,945	0.29%	4,945	0.25%	4,945	0.25%	4,945	0.27%	0.30%
Insurance Premium Tax	53,039	3.00%	55,371	3.26%	55,881	2.82%	46,432	2.82%	45,465	2.53%	2.78%
Total Taxes	1,708,166	96.72%	1,648,273	96.92%	\$1,891,417	95.30%	\$1,777,040	95.30%	\$1,592,193	96.90%	97.22%
State Treasurer	16,303	0.51%	11,335	0.67%	22,304	1.12%	34,274	1.12%	32,152	1.87%	1.96%
Court Fines	5,000	0.28%	5,188	0.31%	5,494	0.28%	5,306	0.28%	5,130	0.29%	0.31%
Estate Tax ²	12,635	0.71%	7,589	0.45%	35,807	1.80%	N/A		N/A		
Miscellaneous	38,863	1.78%	28,045	1.65%	29,749	1.50%	17,058	1.50%	8,420	0.93%	0.51%
TOTAL REVENUES	\$1,780,967	100.00%	\$1,700,430	100.00%	\$1,984,771	100.00%	\$1,833,678	100.00%	\$1,637,895	99.99%	100.00%
EXPENDITURES											
Public Schools	920,000	47.07%	932,970	46.76%	873,465	44.21%	821,072	44.21%	796,360	48.70%	49.58%
Higher Education	293,623	14.80%	298,484	14.96%	263,119	13.32%	251,163	13.32%	239,225	14.90%	14.90%
Health and Welfare	322,220	16.49%	358,022	17.94%	315,013	15.95%	274,272	15.95%	250,856	16.27%	15.82%
All Others	444,934	21.64%	405,823	20.34%	524,009	26.52%	339,566	26.52%	319,486	20.14%	19.89%
TOTAL APPROPRIATED EXPENDITURES	1,980,777	100.00%	1,995,299	100.00%	\$1,875,606	100.00%	\$1,886,073	100.00%	\$1,605,927	100.00%	100.00%
NONOPERATING REC./DISB. (NET)	191,640		107,914		16		186		3		
INTEREST EXPENSE ON TANS	(12,010)		(9,271)		(10,631)		(12,715)		(13,463)		
ENDING CASH BALANCE	\$0		\$0		\$196,226		\$197,676		\$62,600		
LESS ENCUMBRANCES/REAPPROPRIATIONS	-		(20,180)		(13,534)		(18,152)		(16,045)		
UNOBLIGATED CASH BALANCE JUNE 30	\$0		(\$20,180)		\$182,692		\$179,524		\$44,092		

¹ 2003 Projections are based on actuals through April, 2003 and Projections for May & June.

² Estate Tax is now to the General Fund in 2001

³ Prior to FY 2001 Tobacco Tax was distributed to various dedicated funds. Law change during the 2000 legislative session changed the distribution formula.

Source: Division of Financial Management

GENERAL TAX REVENUES

The following General Tax Revenues are the sources for the repayment of principal of and interest on the Notes.

Individual Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the individual income tax are based on a graduated scale of tax liability applied to taxable income. There are several rates and brackets for taxable income up to \$7,500 (\$15,000 for joint returns). Between \$7,500 and \$20,000 (\$15,000 to \$40,000 for joint returns) the rate is 7.4%, effective January 1, 2001. For taxable income above \$20,000 (\$40,000 for joint returns) the rate is 7.8%, effective January 1, 2001. Also, State law conforms to most of the provisions enacted in the Tax Reform Act of 1986. Notable exceptions include a) enactment of a limited capital gains exclusion at the State level, b) retention of the State investment tax credit, including its general tie-in to the federal definition of eligible property.

Most collections occur through the monthly withholding process. The remainder is collected through net filings. An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Account. Any balance exceeding \$1,500,000 in the Income Tax Refund Account at the end of the year is transferred to the General Fund on June 30. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the individual income tax accrue to the General Fund.

TABLE 11
STATE OF IDAHO
INDIVIDUAL INCOME TAX
Individual Income Tax Net Collections

<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Fund</u>	<u>Building</u> <u>Fund</u>	<u>Total</u>
1993	508,023,141	4,998,898	513,022,039
1994	559,166,605	4,215,401	563,382,006
1995	596,457,494	4,458,954	600,916,448
1996	650,850,016	4,708,545	655,558,561
1997	704,819,923	4,236,116	709,056,039
1998	776,192,032	4,817,330	781,009,362
1999	841,864,958	5,107,517	846,972,475
2000	960,163,683	5,041,070	965,204,753
2001	1,023,970,174	6,073,061	1,030,043,235
2002	835,854,808	5,636,609	841,491,417

(Source: State Tax Commission)

Sales Tax (Title 63, Chapter 36, Idaho Code)

Sales tax collections are based on a flat rate of 6% applied to the sales price or value of all tangible personal property subject to sales and use taxation. Exemptions to the sales and use tax include a) tangible personal property used or consumed directly in the production of manufactured goods, minerals or agricultural products (the so-called production exemption), b) gas, water and electricity sold to consumers, c) heating material sales, d) the value of traded-in merchandise, e) occasional sales and home yard sales, f) materials used in research at the Idaho National Engineering and Environmental Laboratory, g) irrigation equipment, h) pollution control equipment, i) school lunches, j) prescription drugs, and k) logging. Sales tax funds must be allocated to the Idaho Housing and Finance Association if within 60 days of the close of the fiscal year, the Chairman of the Housing Agency Board of Commissioners certifies to the State Tax Commission that a deficiency exists in any Agency Capital Reserve Fund. No claims have ever been made by the Agency for state sales tax funds and none are anticipated. The Legislature has eliminated the continuing appropriations for all Idaho Housing and Finance Association bonds issued on or after January 1, 1996.

Sales tax rates since inception of the tax have been as follows:

<u>Dates</u>	<u>Rate</u>
July 1, 1965 - Feb. 28, 1983	3.0%
March 1, 1983 - May 31, 1983	4.0%
June 1, 1983 - June 30, 1984	4.5%
July 1, 1984 - March 31, 1986	4.0%
April 1, 1986 - Present	5.0%
May 1, 2003 – June 30, 2005	6.0%

The current distribution formula for revenues generated by the sales tax is as follows:

1. 11.50% of net collections to revenue sharing (cities and counties);
2. \$5,000,000 per year to the Permanent Building Fund;
3. \$4,800,000 per year to the Water Pollution Control Fund;
4. \$12,100,000 (or such amount as the Tax Commission certifies is needed) to fund the Circuit Breaker Program;
5. Remaining net collections to the General Fund.

TABLE 12
STATE OF IDAHO
TAXABLE SALES AND USE TAXABLE SALES
(000s omitted)

<u>Calendar Year</u>		<u>Calendar Year</u>	
1993	\$10,133,119	1998	12,970,353
1994	11,191,306	1999	14,601,265
1995	11,624,000	2000	14,912,310
1996	12,285,739	2001	14,211,532
1997	12,434,851	2002	16,193,606*

*Due to a system conversion at the end of fiscal year 2001 some taxable sales and use taxable sales from 2001 were reported in 2002.

(Source: State Tax Commission)

Corporate Income Tax (Title 63, Chapter 30, Idaho Code)

Collections from the corporate income tax are based on a flat rate of 7.6%, effective January 1, 2001 (8.0% before that date), applied to taxable income. Prior to tax year 1987, the rate had been 7.7% Beginning with 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the investment tax credit repeal. Idaho continues to allow a 3% credit that is tied generally to the federal definition of eligible property. Also new for 1987, Idaho began requiring that corporations file quarterly payments of estimated taxes. This new provision is based upon the federal rules, and was being phased-in over a two-year period.

An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State income tax refund account. Any excess not diverted for refunds reverts to the General Fund. A filing tax of \$10 per tax return is assessed, with proceeds distributed to the Permanent Building Fund. All other revenues from the corporate income tax accrue to the General Fund.

TABLE 13
STATE OF IDAHO
CORPORATE NET INCOME TAX

<u>Fiscal Year</u>	<u>General Account Receipts</u>	<u>State Building Fund</u>	<u>Total</u>
1993	\$ 70,003,833	\$ 282,010	\$ 70,285,843
1994	87,628,174	196,830	87,825,004
1995	131,636,134	250,724	131,886,858
1996	151,979,175	246,724	152,225,899
1997	122,357,177	249,546	122,606,723
1998	117,286,401	283,673	117,570,074
1999	95,437,675	270,030	95,707,705
2000	124,872,935	303,591	125,176,526
2001	141,527,236	349,042	141,876,278
2002	76,295,588	311,959	76,607,547

(Source: State Tax Commission)

Other Taxes

Cigarette Tax (Title 63, Chapter 25, Idaho Code)

Cigarette tax collections are based on a tax of 57 cents per pack of 20 cigarettes. The Public School Income Fund receives 5.1746 cents, and another 5.1746 cents goes to County Juvenile Probation Services. Of the balance remaining, 21.25% is distributed to the General Fund, 17.3% is credited to the Permanent Building Fund, 0.4% (to a maximum of the fiscal year appropriation) goes to the Tumor Registry Fund, and 1% is distributed to the Cancer Control Account. In fiscal year 2004 an additional \$23.5 million will be combined with the normal 21.25% distribution to the General Fund. The remainder is credited to the newly-created Economic Recovery Reserve Fund.

Tobacco Tax (Section 63-2552 Idaho Code)

Tobacco Tax collections are collected on the sale, use, consumption, handling or distribution of all tobacco products in the State at the rate of 40%, 6.25% is distributed to the Public School Income Fund, 6.25% is distributed to County Juvenile Probation Services and the remainder accrues to the General Fund.

Beer Tax (Section 23-1008, Idaho Code)

Of the total tax of \$4.65 per 31-gallon barrel or equivalent that is levied on beer, \$.93 goes to the Alcoholism Treatment Account, \$1.55 to the Permanent Building Fund and the remainder (\$2.17) to the General Fund.

Wine Tax (Section 23-1323, Idaho Code)

Revenue is derived from a tax on wine sold in Idaho. The rate is \$.45 per gallon of wine. Twelve percent (12%) goes to the Alcoholism Treatment Account, 5% goes to the Idaho Grape Growers & Wine Commission and the remainder to the General Fund.

Kilowatt Hour Tax (Title 63, Chapter 27, Idaho Code)

Revenue is derived from a one-half mill per kilowatt hour tax on electricity generated in the State of Idaho by water power. Power used by industrial consumers and for the irrigation of land is exempt from this tax. All collections accrue to the General Fund.

Mine License Tax (Title 47, Chapter 12, Idaho Code)

Revenue is derived from a 1% "profit" tax on Idaho mining operations. All collections accrue to the General Fund.

Liquor Surcharge (Section 23-217, Idaho Code)

Revenue is derived from a 15% surcharge on the retail price of liquor sold by the State liquor dispensary. Idaho Law provides for a transfer of \$4.945 million annually to the General Fund.

Insurance Premium Tax (Title 41, Chapter 4 and Section 59-1357, Idaho Code)

The Insurance Premium Tax was modified in 1994 to reduce the rate from 3.0% to 2.75% of gross premiums written in the State. The rate on title insurance was raised in 1988 from 1.1% to 1.5%. All insurers, other than life insurers, with 25% or more of their total assets invested in domestic investments may qualify for a 1.4% rate. Life insurers may qualify for a 1.4% rate with 25% or more of their total reserve invested in domestic investments. The preferential rate was decreased from 1.6% in 1994.

Most annual receipts occurred in the month of March until the 1983 fiscal year when a system of quarterly payments was instituted. Prepayments based on previous year premiums are now due in June (60%), September (20%) and December (15%), with full payment for any balance due the following March 1. Approximately 95% of the fire insurance premiums are distributed from tax prepayments – 100% of the final fire insurance premium taxes are distributed to the Fireman's Retirement Fund.

Collections of filing fees, license fees, license fees and miscellaneous charges are also made. Beginning December 31, 1984, these revenues were transferred to the Insurance Administration Fund to fund Department of Insurance appropriations. At the beginning of each fiscal period, amounts in this fund exceeding the current fiscal year appropriation by more than 25% are transferred to the State of Idaho General Fund.

In 1997 fiscal year legislation changed Health Maintenance Organizations (HMO's) to Managed Care Organizations. This changed their tax rate from \$.04 per subscriber to the 2.75% of gross premiums written in the State.

Estate Tax (14-413 0507, Idaho Code)

The State Tax Commission collects estate taxes and remits the money to the State Treasurer. Estate Taxes are distributed as follows: 10% goes into a fund to be sent to the counties (at least quarterly); an amount sufficient to pay current refund claims is paid into the State Refund Fund; and the balance is distributed 10% into the Resource Conservation and Rangeland Development Loan Fund with the balance distributed to the General Fund.

LITIGATION

On December 30, 1998, the Idaho Supreme Court issued its decision in the case of *Idaho Schools for Equal Educational Opportunity v. The State of Idaho*. The Court concluded that, pursuant to Article IX, § 1, of the Idaho Constitution, which requires the Legislature to "establish and maintain a . . . thorough system of public, free common schools," the Legislature must provide a means for school districts to fund facilities that provide a safe environment conducive to learning. The Court vacated a summary judgment granted by the District Court of the Fourth Judicial District dismissing this claim and ordered the matter remanded for a trial or "other appropriate proceeding to determine whether the Legislature has provided a means to fund facilities that provide a safe environment that is conducive to learning." The Court upheld a summary judgment dismissing claims for a declaration that a thorough system of public, free common schools requires (1) equalization of funding for capital expenditures, and (2) not submitting special override levy elections to the voters for special facility levies. The plaintiffs' petition for reconsideration by the Supreme Court of the last two matters was denied May 17, 1999.

The case was tried during March and August, 2000. On February 5, 2001, Fourth District Judge Deborah Bail issued her Findings of Fact and Conclusions of Law that the current "system for the replacement and major repairs of unsafe buildings based upon loans alone is not adequate to meet the constitutional mandate to establish and maintain a general, uniform and thorough system of public free, common schools in a safe environment conducive to learning for Idaho's poorest school districts which lack any reasonable means to repay such loans while maintaining a thorough education for their students." The District Court retained jurisdiction to allow the

Legislature to address its ruling, but in denying a permissive appeal to the Supreme Court of Idaho, the District Court further stated:

The Court has concluded that the funding system itself is flawed in that a solely loan-based system of funding to replace or repair unsafe school buildings is not adequate under the Idaho Constitution because the poorest school district cannot obtain the funding to repair or replace seriously dangerous and defective buildings. The Court has concluded, based upon the facts, that the problem is a system problem, not just a problem of a few individual schools. Considerable work remains for the Court in fashioning a remedy.

The District Court concluded:

There should be no doubt in anyone's mind – if the legislature does not act, the Court will. At the same time, the legislature ought to have the first opportunity to utilize its unique powers to examine issues, to balance competing interest, and to consider multiple reasonable options to deal with the real problem.

The District Court added:

Obviously, there is a need for outright aid to repair or replace unsafe schools for the poorest school district[s] who are suffering from declining population, high unemployment, low income, a low property tax base, but high property taxes and which cannot reasonably assume greater debt.

The District Court further stated:

The fashioning of a system which provides a means to fund safe school buildings is, first and foremost, a legislative responsibility. There are a number of different approaches which the legislature might find workable. The legislature's own 1993 Needs Assessment outlines the approaches followed by other states which have dealt with the same problem Idaho now must address. Alaska appropriates funds which are distributed based upon a priority ranking system: the highest priority is given to life/safety issues, followed by unhoused students, protection of structures, code upgrades, operational cost savings, functional upgrades. Georgia uses matching grants with a ratio which varies based upon the wealth of the district. Washington uses matching grants to make bond passage more palatable to local voters. Lowering the supermajority requirement and creating incentives to help local school districts deal with the repair and replacement needs before students are endangered are among the many possible options which could be followed. Idaho may want to borrow and adapt other approaches or create its own. The Idaho legislature is currently exploring a range of approaches.

The District Court also stated that its February 5, 2001, decision was not yet complete and that a further decision would be made. It retained jurisdiction of the case, and further hearings in a remedial phase of the case were conducted during the summer and fall of 2002. The District Court did not complete the remedial phase. The District Court interrupted the remedial phase of the case to appoint a Special Remedial Master at State expense to review conditions in the State's schools and to make recommended findings to the District Court concerning the conditions in the State's schools. The State promptly filed in the Idaho Supreme Court a motion for a writ of prohibition against the District Court's order that the State pay the Special Remedial Master's compensation because there was no appropriation for his estimated cost of \$300,000 to \$400,000. The petition for the issuance a writ of prohibition was filed on December 23, 2002, and is still pending as of June 2, 2003.

In the meantime, the District Court certified as appealable its February 5, 2001, order and its order to pay the Special Remedial Master's compensation. The State has filed a Conditional Notice of Appeal. The appeal is conditional because the 2003 Legislature enacted a statute suspending the litigation and bringing it under the procedures of the Constitutionally Based Educational Claims Act, which require citizen suits about schools to be first brought against local school districts, then against the State only if local school districts do not have the resources to provide a constitutionally required education. With regard to school facilities, the 2003 amendments give the District Court authority to order the school district to levy an educational necessity levy to abate unsafe conditions.

It is not possible to predict the eventual outcome of the case or the possible fiscal impact on the State. It is unlikely at this time that the District Court's eventual rulings will have any significant financial impact on the State during the 2003-2004 fiscal year.

In the opinion of the Attorney General of the State of Idaho, there is no litigation pending against the State that will materially adversely affect the ability of the State to pledge the General Tax Revenues to the repayment of the Notes. At the time of the delivery of the Notes, the Idaho Attorney General's office will provide a certificate stating that there is no litigation pending or threatened against the State or its officers which questions the authority of the State to issue the Notes or which seeks to restrain or enjoin the issuance or delivery of the Notes or the collection of the General Tax Revenues pledged to the repayment of the Notes.

THE IDAHO SCHOOL BOND GUARANTY ACT

By enactment of Senate Bill No. 1236, the 1999 Idaho Legislature created the "Idaho School Bond Guaranty Act" (the "Act"), now codified as Chapter 53, Title 33, Idaho Code, for the purpose of establishing a default avoidance program for voter-approved school bonds issued by Idaho public school districts. (Voter-approved school bonds are general obligation bonds, for which the full faith and credit and unlimited ad valorem taxing power of the issuing school district are pledged.)

The Act:

- Pledges the sales tax of the State to guarantee the full and timely payment of the principal of and interest on school bonds approved by the voters on and after March 1, 1999.
- Provides that the State Treasurer, after determining eligibility, may issue a certificate of eligibility for the State's guarantee, which shall be printed on the bonds and which is good for the life of the bonds.
- Provides that the State Treasurer shall (i) monitor the financial affairs and conditions of each school district and immediately report to the governor and State superintendent of public instruction any circumstances suggesting that a district will be unable to meet its debt service obligations, (ii) recommend a course of action to correct such problems, and (iii) if warranted, issue a determination of ineligibility.

- Provides for notification to and advancement of funds by the State treasurer to the paying agent for any guaranteed bonds whenever a district is unable to make its scheduled debt service payments.
- Requires the State Treasurer to intercept any payments due that district from the public school permanent endowment fund or from any other source of operating moneys provided by the state, and to apply the intercepted payments to reimburse the State for payments made pursuant to the guaranty program.
- Provides that, if necessary, the state treasurer may issue "general obligation notes" ("notes") to provide funds for the guaranty program, and pledges the State sales tax to pay the notes.
- Creates a credit enhancement program for voter approved school district bonds, to be administered by the public school endowment fund investment board, and provides for purchase by the endowment fund of notes issued by the State Treasurer pursuant to the school bond guaranty program.

The Act has been upheld in all respects by the Idaho Supreme Court.

The Act was amended in 2002 to provide that the amount of debt guaranteed by the credit enhancement program administered by the public school endowment fund investment board shall not be greater than two times the amount made available by the public school permanent endowment fund, and to extend the Act to cover refunding bonds issued on and after March 1, 1999, for bonds approved by the voters prior to March 1, 1999. The 2003 Legislature further amended the Act by enactment of House Bill No. 322 to increase the available amount from the public school permanent endowment fund to \$200,000,000 and to provide that the amount of debt guaranteed by the credit enhancement program shall not be greater than three (3) times the amount made available from the permanent endowment fund. This effectively limits the amount of bonds which can be guaranteed under the Act to \$600,000,000. House Bill No. 322 contained an emergency clause and went into effect on April 8, 2003. As of April 17, 2003 the State Treasurer has issued Certificates of Eligibility guaranteeing \$248,719,000 in various Idaho School District Bonds.

It should be noted that distribution of State sales tax moneys pursuant to the pledge of the school bond guaranty program can occur only after all required payments to the Tax Anticipation Note Redemption Fund have been made as required by Section 63-3203, Idaho Code.

The State does not anticipate that the school bond guaranty program will have any significant fiscal impact upon the State, its operations, or its ability to pay the principal of and interest on the Notes as the same become due.

MUNICIPAL BOND BANK LEGISLATION

The 2000 Idaho Legislature approved Senate Joint Resolution No. 107 (SJR 107), which, as approved by the electors voting at the November 7, 2000, state general election, amended the Idaho Constitution by the addition of a new Section 2A of Article 8.

The constitutional amendment:

1. Authorized the legislature to enact laws authorizing the state to establish a bond bank authority to purchase the bonds, notes or other obligations of a municipality ("municipality" is defined as a county, city, school district, or any other special district or political subdivision of the State) and to lend money to a municipality with such loan being secured by the bonds, notes or other obligations of the borrowing municipality.
2. To enable the bond bank authority to obtain funds to purchase the bonds or other obligations of or to make loans to municipalities, authorized the legislature to enact laws authorizing the bond bank authority to issue revenue bonds, notes or other obligations payable from or secured by the bonds, notes or other obligations of one or more municipalities, and to pledge or otherwise obligate specific funds or revenues of the state as a source of payment or security for its bonds, notes or other obligations. The legislature may also authorize the authority to establish debt service reserves and credit enhancement provisions for its bonds and obligations, and to establish a revolving loan program to purchase municipal bonds, notes or other obligations and to lend money to municipalities.
3. Authorized the legislature to enact laws authorizing a municipality, in addition to its other powers but subject to the requirements of Section 3 of Article 8 of the Idaho Constitution (requiring voter approval of municipal indebtedness except for "ordinary and necessary" expenses), to issue bonds, notes or other obligations to secure loans received from the bond bank authority, to levy and collect property taxes, fees, rates, changes, and other assessments to pay and secure the bonds, notes and other obligations issued by the municipality for sale to or as security for loans received from the authority, and to pledge and assign the same to pay or secure its bonds, notes and other obligations.

SJR 107 further provided that any debt or liability of the state arising as a result of the exercise of the powers authorized by this amendment shall not be deemed to be a "debt" of the State for purposes of Section 1 of Article 8 of the Idaho Constitution (generally requiring voter approval of state indebtedness).

The 2001 Idaho State Legislature enacted, and the Governor, on March 23, 2001, signed into law, Senate Bill No. 1174, creating a new Title 67, Chapter 87, Idaho Code, to establish a state bond bank authority pursuant to the constitutional amendment (the "Act"). The Act, which took effect on July 1, 2001, creates an independent public body corporate and politic to be known as the Idaho Bond Bank Authority (the "Authority"). The Authority is declared to be an instrumentality of the state within the State Treasurer's office, but with a legal existence independent of and separate from the state. The authority shall consist of five (5) members: the State Treasurer or his designee; one member of the Idaho State Senate appointed by the president pro tempore of the senate; one member of the Idaho House of Representatives appointed by the speaker; and two members appointed by the Governor. The Authority is authorized, among other powers, to issue bonds payable from or secured by municipal bonds of one or more municipalities (including cities, counties, school districts, and other political subdivisions), to purchase municipal bonds, to pledge sales tax revenues of the state as a source of payment or

security for bonds issued by the Authority, and to establish debt service reserve funds for its bonds.

The Act provides an intercept mechanism whereby the State Treasurer may make payments on the bonds of participating municipalities and, if reimbursement is not timely made, intercept the receipt of any payment of property taxes, sales tax moneys to be distributed to the defaulting municipality, or any other source of operating moneys provided by the state to the defaulting municipality. In addition, if moneys expected to be intercepted pursuant to the intercept mechanism are expected to be insufficient to reimburse the state for its payments on the bonds, the State Treasurer shall cause moneys to be transferred from the State sales tax account and deposited into the Authority's fund (so long as such transfer does not "impede or otherwise affect the payment of sales tax moneys pledged for the payment on other outstanding state bonds"). Any pledge of sales tax revenues made by the Authority is a binding lien on the sales tax revenues so pledged.

The 2002 Idaho State Legislature made certain technical amendments to the Act. The 2003 Legislature amended Section 67-8705, Idaho Code (effective July 1, 2003), relating to the powers and duties of the Authority, to authorize the purchase by the Authority of "notes from municipalities to be utilized by a municipality in purchasing, leasing or lease-purchasing tangible personal property when the note was otherwise legally issued and authorized by a municipality and the purchase of the note from a municipality does not violate the state constitution." The stated purpose of the 2003 amendment is to facilitate municipal lease-purchase financing by consolidating lease notes and thereby obtaining lower interest rates.

The 2002 Idaho State Legislature, by enactment of House Bill No. 669 (effective July 1, 2002), made certain technical amendments to the Act. The 2003 State Legislature amended existing law (Idaho Code 67-8705) to provide the Idaho Bond Bank Authority the power and duty to facilitate the purchase of notes from municipalities to be utilized by a municipality in purchasing, leasing or lease-purchasing tangible personal property when the note was otherwise legally issued and authorized by a municipality and the purchase of the note from a municipality does not violate the State Constitution. The fiscal impact to the State will be reduced interest cost to municipality's cost of borrowing.

The State does not anticipate that the Act will have any significant fiscal impact on the State, its property, or its ability to pay the principal of and interest on the Notes as the same become due.

SCHOOL SAFETY AND HEALTH REVOLVING LOAN AND GRANT FUND

The 2000 Idaho Legislature enacted Section 33-1017, Idaho Code, creating a school safety and health revolving loan and grant fund. This legislation was a response to the school funding litigation (described under "LITIGATION" elsewhere in this Official Statement). It requires school districts to make annual health and safety inspections of school facilities, to abate any unsafe or unhealthy conditions, and to apply lottery fund receipts to that purpose. It also authorizes a school district which is levying taxes at the maximum authorized rate and which has insufficient funds to finance its abatement needs to apply to the state treasurer for a loan from the school safety and health revolving loan fund (the "Loan Fund").

Section 33-1017, Idaho Code, provides that the State Treasurer is authorized to make loans from the Loan Fund to qualified school districts. The loan shall be approved if the district's loan

application meets the criteria of Sections 33-1613 and 33-1017, Idaho Code. The legislature initially appropriated the sum of \$10,000,000 for this purpose; however, if the state board of examiners finds that existing and anticipated loans have depleted the Loan Fund to the extent that it does not have sufficient money available to loan to eligible districts, the board of examiners shall declare that additional loans may be made from the budget stabilization fund created by Section 57-814, Idaho Code. The term of any loan shall not exceed ten years, but the treasurer may extend a loan for an additional ten years. The interest rate on a loan shall be the average rate of interest available to other funds in the state treasury, as determined by the state treasurer.

The Idaho Legislature amended several sections of the statutes relating to the Loan Fund in 2001 and 2002. The law now provides that a school district that has borrowed from the Idaho safe school facilities loan program may apply for a grant of interest from the safety and health revolving loan and grant fund. The legislation applies to bond issues as well as to school plant facility levies. The legislation establishes certain conditions of eligibility for a grant: after complying with the statutory requirements for safe public school facilities as set forth in Section 33-1613, Idaho Code, a school district that borrows money or refinances a loan through the Idaho safe schools facilities loan program pursuant to a school plant facilities reserve fund levy for safe school facilities under Section 33-804A, Idaho Code, or finances abatement of unsafe and unhealthy conditions through bonded indebtedness may apply for a grant to pay for eligible interest costs incurred on loan or bond proceeds used to abate unsafe and unhealthy conditions. If accepted, the school district will qualify for a grant of the present value of the qualifying percentage of the interest costs of the loan associated with abating unsafe or unhealthy conditions. The qualifying percentage is determined by the state treasurer according to the total of the bond and plant facilities levies imposed by the school district (including the levy for which the application is made) and the total levies imposed by the school district, as a fraction of the assessed value for the most recent assessment against which the school district's existing levies are made.

Interest costs for abatement of unsafe and unhealthy conditions are calculated by determining the percentage of the loan proceeds or prepayment of the loan that will be used to abate unsafe and unhealthy conditions.

The law was amended by the 2002 Idaho Legislature to provide that the state treasurer's authority to accept applications for and to approve grants of interest from the school safety and health revolving loan and grant fund shall cease on July 1, 2003.

The State does not anticipate that the Loan Fund program will have any significant fiscal impact upon the State, its operations, or its ability to pay the principal of and interest on the Notes as the same became due.

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STATE BOND LEVY EQUALIZATION SUPPORT PROGRAM FOR SCHOOL FACILITIES

The 2002 Idaho Legislature created a Bond Levy Equalization Support Program (the "Support Program"). A Bond Levy Equalization Fund is created in the state treasury, containing "such moneys as may be directed pursuant to appropriation." The state department of education is directed to establish a "value index" for each school district, based on each school district's market value per support unit for equalization purposes, and the average annual seasonally-adjusted unemployment rate and the per-capita income for the county in which a plurality of the school district's market value for assessment purposes of taxable property is located. Under the Support Program, school districts with a value index below one (1) shall be eligible to receive additional state financial assistance for the amount of annual bond interest and redemption payments made on bonds passed on or after September 15, 2002; provided, that any school district shall receive no less than 10% of the interest cost portion of its annual bond interest and redemption payment for bonds passed on or after September 15, 2002. The Support Program may not be utilized to refinance existing debt.

The statute (Section 33-906, Idaho Code, as amended by the 2003 Legislature) provides that the state department of education shall disburse such funds to school districts from moneys appropriated from the bond levy equalization fund. Disbursement shall be made no later than September 1 of each year for school districts in which voters have approved the issuance of qualifying bonds by no later than January 1 of that calendar year. For districts not qualifying for a state payment in the first year of payments due solely to the January 1 eligibility deadline, an additional payment shall be distributed to it the following year in the amount the district would otherwise have qualified for in the first year.

The 2003 Idaho Legislature appropriated \$825,000 for the Support Program for the 2003-2004 Fiscal Year. It is not known at this time what the fiscal requirements for the Support Program for future fiscal years will be.

OUTSTANDING OBLIGATIONS OF THE STATE

The State has no outstanding general obligation bond debt.

The Idaho Housing and Finance Association

The Idaho Housing and Finance Association (formerly Idaho Housing Agency) (the "IHFA"), an independent public body, corporate and politic, was created in 1972, by the Idaho Legislature under the provisions of Chapter 62, Title 67 of the Idaho Code, as amended (the "Act"). The Act empowers the IHFA, among other things, to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons and families of low income residing in the State of Idaho, and, in addition, to coordinate and encourage cooperation among private enterprise and State and local governments to sponsor, build and rehabilitate residential housing for such persons and families.

The IHFA is governed by seven commissioners, appointed for alternating four-year terms by the Governor of the State, one of whom is selected chairman by the Governor. The vice chairman

and secretary-treasurer are elected annually by the entire Board of Commissioners. The State Treasurer serves as an advisory Board member.

The IHFA has no taxing power and neither the State nor any political subdivision thereof is liable for its bond or other indebtedness. At the time of the IHFA's inception, the Idaho Legislature enacted a continuing appropriation of the State Sales Tax Account as additional collateral for designated bond issues or portions thereof. The Legislature has eliminated the continuing appropriations for all IHFA bonds issued on or after January 1, 1996.

No claims have ever been made by the IHFA for state sales tax funds and none are anticipated. The Agency's mortgage loans are either guaranteed by Federal agencies, insured by private mortgage guarantee policies or collateralized by the IHFA's net assets. The aggregate amount of bond debt supported by Idaho State Sales Tax totaled \$24.6 million and \$29.6 million at December 31, 2002 and 2001, respectively.

As of December 31, 2002, 95.35% of the total bond debt has been used to purchase single-family mortgages, 4.62% has provided the construction and permanent financing for multifamily developments.

As of December 31, 2002, the IHFA's outstanding bond indebtedness was \$1,806.6 million. Fund balances, including reserves, were \$166.9 million.

The Idaho Health Facilities Authority

Organized in 1972, the Idaho Health Facilities Authority ("the Authority") is an independent public body politic, and corporate, constituting a public instrumentality of the State of Idaho. The Authority is comprised of seven members appointed by the governor to staggered five-year terms. The Executive Director is hired by and serves at the pleasure of the Authority members.

The Authority has the power, among others, to issue tax-exempt revenue bonds or notes and re-lend the funds to governmental and not-for-profit health facilities in Idaho to (a) finance and refinance outstanding indebtedness for health facilities and (b) provide additional facilities for the development and maintenance of public health, health care, hospitals and related facilities.

These debt instruments do not directly, indirectly, or contingently obligate the State or any political subdivision thereof to levy any form of taxation or to make any appropriations for the payment thereof and any such levy or appropriation is prohibited.

As of December 31, 2002, the total outstanding indebtedness of the Authority was \$566,729,702.

The Idaho State Building Authority

The Idaho State Building Authority (the "Authority") is a public corporation of the State established in 1974 by the State of Idaho under the provisions of the Idaho State Building Authority Act. The Act empowers the Authority, among other things, to issue notes and bonds to finance construction or acquisition of facilities for rental to the State governmental bodies with the approval of the Legislature.

The Authority is governed by seven commissioners appointed by the Governor to serve staggered five-year terms. The commissioners of the Authority, in turn, appoints an executive director.

Bonds, notes or other obligations of the Authority are not a debt or obligation of the State of Idaho, nor of any department, board, commission, agency, political subdivision, body corporate and politic or instrumentality of or municipality or county within the State of Idaho, nor shall the bonded debt be payable out of any funds other than those of the Authority. The Authority has no taxing power.

As of January, 31, 2003, the Authority's outstanding bond indebtedness was \$161,745,000.

The Idaho State Lottery

The Idaho State Lottery was established in 1989. Total sales for FY-2002 were \$92,671,287. Net proceeds for that year totaled \$18 million and are divided equally between the Permanent Building Fund, for use in carrying out state public works projects and the Public School Building Fund for distribution to Idaho's Public School Districts.

Idaho Code stipulates that the State Treasurer will invest Lottery receipts and the interest generated on the Lottery Account balance will be transferred to the General Fund. Interest earnings for FY-2002 were approximately \$310,800.

Public Employees' Retirement System of Idaho

The Public Employees Retirement System of Idaho ("PERSI") covers eligible employees who work 20 hours per week or more. The membership of PERSI includes employees of the State of Idaho, including state colleges and universities, employees of political subdivisions, (e.g., counties, cities, hospitals) and local school districts. As of June 30, 2002, PERSI had 62,376 active members, 18,267 inactive (of whom 7,330 are entitled to vested benefits), and 24,018 annuitants. PERSI collects contributions from employees and employers to fund retirement, disability, death and separation benefits, as provided by Chapter 13, Title 59, Idaho Code.

As of July 1, 2002, because of poor investment markets the PERSI unfunded actuarial liability (UAL) exceeded the system assets by \$1,075.7 million. In conformance with GASB Statement No. 25 the Actuarial Required Contribution (ACR) is 7.335% of pay compared to the actual contribution rate of 9.80% of pay. After actuarial review, the PERSI Retirement Board determined the current schedule of contribution rates will meet the normal cost of the system as they accrue, but will not fund the unfunded actuarial liability (UAL) within the statutory maximum periods of 25 years (39.3 years). The funded ratio of the PERSI system (assets divided by the actuarial accrued liability) is 84.9% as of July 1, 2002. Because of the funding situation the Board did not approve a discretionary COLA for retirees about the 1% required retiree COLA.

The employer contribution rate in effect on July 1, 2002 is 9.77% for General Members and 10.01% for Police Officer Members. With the exception of police and fire fighter members, the member contribution rate is 5.86% of salary. The employee contribution rate for police and fire fighters is 7.21% of salary. In order to fund the unfunded actuarial liability as required by law the PERSI Board approved an increase in the total contribution rate of 1% per year for each of

three years beginning July 1, 2004 (total increase of 3% of pay). This will increase the General Member rate by 0.37% of pay and the Police Officer Member rate by 0.44% of pay for each of the three years. The General Employer and Police Officer Employer rate will increase by 0.62% of pay for each of the three years.

The PERSI actuary has confirmed that the current schedule of contribution rate will meet the normal costs of the system as they accrue.

The Idaho State Insurance Fund

The Idaho State Insurance Fund (the “Fund”) was created in 1917 by the Idaho State Legislature to insure employers against liability under the Workers’ Compensation Act. The Fund is an independent body corporate politic and is to be administered without liability on the part of the State (Idaho Code Section 72-901). The money in the Fund does not belong to the State and is not in the State Treasury within the meaning of article 7, section 13 of the Constitution (State v. Musgrave, 84 Idaho 77, 370 P.2d 778 [1962]). It is deposited with the State Treasurer as custodian and is held by the Treasurer as such for the contributing employers and the beneficiaries of the compensation law and for the payment of the costs of the operations of the Fund. All public employers are required by law to obtain their workers’ compensation insurance through the State Insurance Fund or self-insure (Idaho Code Section 72-301). Private employers may, at their discretion, also procure workers’ compensation insurance from the Fund.

As of December 31, 2002, the Fund had a surplus (fund balance) of \$68 million. The Fund has no bonded debt.

The manager, who is hired by the Board of Directors, administers the Fund. The Board is appointed by the Governor.

Idaho Petroleum Clean Water Trust Fund

The Idaho Petroleum Clean Water Trust Fund (the “Trust Fund”), is a not-for-profit state entity created in 1990 by the legislature to indemnify tank owners and operators from petroleum storage tank releases. In March 2003 House Bill 132 was signed into law. The law creates a Board of Trustees, appointed by the Governor, to direct the policies and operations of the Trust Fund. The Idaho State Insurance Fund, at the pleasure of the Board of Trustee, will act as the administrator for the Trust Fund. Statutorily, neither the Fund nor the State has any liability for the Trust Fund’s obligations (Idaho Code Section 41-4904(7)).

As of December 31, 2002, the Trust Fund had fund balances of \$32.4 million. The unencumbered fund balance is \$28.5 million. The Trust Fund has no bonded debt.

OUTSTANDING DEBT OBLIGATIONS OF STATE MUNICIPALITIES

The State Treasurer’s Office established and maintains the Idaho State Debt Repository (ISDR) under Idaho Code §67-1222, passed in 1989. The ISDR maintains current information about municipal offerings. This database is statewide in scope and maintains records on over 1,000 issuers.

TAX EXEMPTION

General. In the opinion of Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, Bond Counsel, interest on the Notes is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provided the requirements of the Code described in this section under the heading "Continuing Requirements" are complied with.

The Notes are not private activity bonds and interest on the Notes is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Notes is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

Except as described herein, Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to ownership of the Notes.

Continuing Requirements. The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Notes, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Note proceeds and the facilities financed or refinanced with such proceeds, limitations on the investment of Note proceeds prior to expenditure and a requirement that excess arbitrage earned on the investment of Note proceeds be paid periodically to the United States. The Issuer has covenanted in the Note documents that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Issuer contained in the Note documents pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Notes for federal income tax purposes and, in addition, will rely on representations by the Issuer with respect to matters solely within the knowledge of the Issuer, which Bond Counsel has not independently verified. If the Issuer should fail to comply with the covenants in the Note documents or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Notes could become taxable from the date of delivery of the Notes, regardless of the date on which the event causing such taxability occurs.

Certain Federal Income Tax Consequences. The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular Note holders. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is 75 percent of the

amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, such as the Notes, is included in a corporation's adjusted current earnings.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for small business corporations that had average gross receipts of less than \$5 million for the 3-year period beginning after December 31, 1994, and such small business corporations will continue to be exempt from the corporate alternative minimum tax so long as their average gross receipts do not exceed \$7.5 million.

Financial Institutions. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax exempt obligations, such as the Notes.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15 percent of the sum of certain items, including the interest received on tax-exempt bonds, such as the Notes.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Notes.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax-exempt obligations, such as the Notes, may be subject to a tax on excess net passive income.

In the opinion of Bond Counsel, interest on the Notes is excluded from gross income under present State of Idaho personal income taxation.

CONTINUING DISCLOSURE UNDERTAKING

The State has covenanted in the Plan of Financing that it will provide, in a timely manner, to the Municipal Securities Rulemaking Board ("MSRB") or to each Nationally Recognized Municipal Securities Repository ("NRMSIR") recognized by the Securities and Exchange Commission ("SEC"), notice of the occurrence of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled

draws on debt service reserves reflecting financing difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of Noteholders; (8) Note calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes; or (11) rating changes.

The State will also provide notice in a timely manner to the MSRB if the State has materially failed to comply with its disclosure undertakings. The State has never failed to comply with a prior written continuing disclosure undertaking made pursuant to SEC Rule 15c2-12.

The currently recognized NRMSIRs include Standard & Poor's J.J. Kenny, 55 Water Street, 45th Floor, New York, New York 10041; Bloomberg Financial Markets, 100 Business Park Dr., Skillman, New Jersey 08558-3629; DPC Data, Inc., One Executive Drive, Fort Lee, New Jersey 07024; Interactive Data, 100 William Street, New York, NY 11038.

The continuing disclosure undertakings described above have been made for the benefit of the Noteholders. Noteholders may enforce specific performance of the undertakings by any available judicial proceeding. However, the failure of the State to perform the undertakings hereunder shall not constitute an event of default with respect to the Notes or result in monetary damages.

APPROVAL OF LEGALITY

The legal matters incident to the authorization, issuance and sale of the Notes and with regard to the tax exempt status thereof as described under the caption "Tax Exemption" are subject to the approving opinion of Moore Smith Buxton & Turcke, Chartered, bond counsel. The form of the approving opinion of bond counsel is set forth in Appendix C to the Official Statement. Certain matters will be passed upon for the State by the Attorney General of the State.

RATING

Moody's Investors Service, Standard and Poor's Corporation and Fitch IBCA have assigned the 2002 Notes the rating of MIG-1, SP-1+, and F1+ respectively. An explanation of the significance of such rating may be obtained from the rating agency. The State has furnished certain information and materials with respect to the State and the Notes to the rating agencies. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the credit rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

U.S. Bancorp Piper Jaffray (the "Underwriter") has agreed, subject to certain conditions, to purchase all of the Notes from the State at a price equal to \$379,170,000, plus accrued interest, if any, and will re-offer the Notes at a price of \$379,451,250, plus accrued interest, if any. The underwriting spread on the Notes is \$.75 per \$1,000 of principal. The Underwriter has advised the State that the Notes may be offered and sold to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than the initial public offering prices set forth on

the cover page of the Official Statement and that such public offering price may be changed from time to time.

MISCELLANEOUS

All summaries herein of the provisions of the Constitution of the State of Idaho, acts of the State Legislature, other documents and instruments and of the Notes are made subject to all the detailed provisions and judicial interpretations thereof to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

All estimates and assumptions in the Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the State.

/s/

Ron G. Crane, State Treasurer

Dated:

APPENDIX A

SELECTED DATA ON THE STATE OF IDAHO

Idaho State Government

State Government in Idaho originates from the State Constitution adopted at the constitutional convention of August 6, 1889, and ratified by the people in November of the same year. Congress approved the Constitution and admitted Idaho to the Union on July 3, 1890.

The Executive Department

The Idaho Executive Department consists of seven constitutionally empowered elected officials-- Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction.

The Governor is vested with the "supreme executive power." The Governor appoints department heads and members of boards and commissions. In extraordinary occasions, the Governor can convene special sessions of the Legislature. The Governor gives final approval, by signing, of bills passed by the Legislature, and has the power to veto bills but must list the objections. The Legislature can override a veto by a two-thirds vote of each chamber.

The Lieutenant Governor presides over the State Senate and, when the Governor is absent from the State, serves as Acting Governor. In case of vacancy for any reason in the Governor's office, the Lieutenant Governor succeeds to that office.

The Secretary of State is primarily a ministerial official. The Secretary of State is the custodian of records, including those of corporations, and of the Great Seal of the State of Idaho. The Secretary of State is the State's Chief Election Officer and has administrative duties as a member of the Board of Examiners, the State Land Board, and State Board of Canvassers.

The State Controller, as Chief Accounting Officer, is responsible for the accounting records, and is the State's cash disbursement officer. The Controller is also responsible for maintaining the statewide system of internal control procedures. The Controller is the State Administrator of Social Security, a member of the State Land Board, ex officio Secretary of the Board of Examiners, and a member of the State Board of Canvassers.

As Idaho's Chief Financial Officer, the State Treasurer receives all State revenues and fees, and is cash manager and investor for all State revenues. The State Treasurer pays all State bills by redeeming State warrants, and is custodian of the Worker's Compensation Fund and the Public School Endowment Fund. The State Treasurer also is a member of the State Board of Canvassers, and serves as advisor to the Idaho Housing and Finance Association.

The Attorney General is the Chief State Legal Officer and represents State officers and agencies in legal matters. The Attorney General must provide legal opinions in writing when requested by government officials. The Attorney General is required to supervise all county prosecuting attorneys and to assist them in law enforcement if they so request. The Attorney General is in charge of consumer protection laws and has jurisdiction to enforce State antitrust laws. The Attorney General is a member of the Board of Examiners and the State Land Board.

The State Superintendent of Public Instruction is an ex-officio and voting member of the State Board of Education, the executive officer of the State Department of Education and advisor to school districts on all aspects of education. The State Superintendent also is a member of the Endowment Funds Investment Board and of the State Land Board and serves as ex-officio member of the State Library Board.

Description of Area

Idaho, located in the northwestern portion of the United States, is bordered by Washington, Oregon, Nevada, Utah, Wyoming, Montana and Canada. Idaho's land area consists of 82,751 square miles of varied terrain including prairies, rolling hills and mountains with altitudes ranging from 736 feet to 12,662 feet. The rugged beauty of the land and easy access to many outdoor activities such as boating, fishing, hunting and skiing help to make tourism and recreation a growing industry.

Although located in the arid West, Idaho has enormous water resources which have dominated its history and development and may prove equally important to its future. There are 26,000 miles of rivers and streams and more than 2,000 natural lakes. Three of Idaho's rivers--the Clearwater, the Kootenai and the Salmon--are more than half as large as the Colorado. The Snake River Plain Aquifer is one of the largest fractured basalt aquifers in the world. Equally important to quantity is the quality of Idaho's waters, which remains outstanding. The drop in elevation of rivers like the Snake allow valuable hydropower production, affording the State some of the lowest electricity rates in the nation.

Idaho enjoys a broad base of economic wealth ranging from extensive mining and timber resources to notably-productive agricultural lands which are benefited by a highly-developed series of man-made reservoirs and irrigation systems. More than four million acres are irrigated in the Snake River Basin, placing Idaho fourth in the nation for irrigated acreage.

Idaho traditionally has been an agricultural State. Livestock, beef, dairy cattle, and sheep are important to the economy, while the major crops of Idaho's farmers include potatoes, wheat, barley, sugar beets, peas, lentils, seed crops and fruit. Major manufacturing industries include food processing, forest products, phosphate processing, and electronics. Mining has played an important role in the development of the State with phosphate rock, silver, lead, zinc and molybdenum among the resources mined.

Boise Standard Metropolitan Statistical Area

There is only one Standard Metropolitan Statistical Area (SMSA) in Idaho and it includes all of Ada County. The Boise SMSA, located in the southwestern part of the State, has the largest population of any county in Idaho. The Bureau of Census estimated the population to be 403,817, as of 2000. Boise is the capital city of the State and is a center of activity for business and government.

Like the rest of the State, Ada County has a mild climate; yet it experiences four definite seasons during the year. Although the City of Boise itself is green with trees and other plants, the surrounding area is naturally desert-like and farmers must rely heavily on irrigation to maintain their crops.

The other 198 cities of Idaho are distributed throughout the State in a mixture of urban and rural areas which allow for a wide variety of lifestyles.

IDAHO ECONOMIC OVERVIEW AND OUTLOOK

Based On The April 2003 *IDAHO ECONOMIC FORECAST*

Idaho's economy under performed the expectations in the last (January 2003) *Idaho Economic Forecast*, and it is expected to grow slower in the current forecast versus last January's forecast. The *Idaho Economic Forecast* is published by the State of Idaho, Division of Financial Management and Economic Analysis Bureau, Michael H. Ferguson, Chief Economist and Derek E. Santos, Economist. The *Idaho Economic Forecast* can be accessed at http://www.state.id.us/dfm/econ_pub.html.

There are two primary reasons for the softer forecast. First, new nonfarm employment and personal income data show Idaho was weaker than previously thought. For example, employment in the third quarter of last year was about 4,600 lower than the previously forecasted amount. Idaho nominal personal income was nearly \$400 million down from the previous estimate. This lowered the starting point for the new forecast. Second, it appears the previous U.S. economic forecast may have been a bit optimistic, so it has been lowered. For example, U.S. real GDP has been reduced 0.1% this year, 0.3% next year, 0.5% in 2005, and 0.8% in 2006.

Idaho nonfarm employment growth is lower than in the previous forecast, resulting in lower levels of employment in each year. In the current forecast Idaho nonfarm employment fell an estimated 0.7% in 2002, compared to the previous forecast of a 0.3% decline. Idaho employment is projected to rise 0.1% in 2003, 1.5% in 2004, 1.7% in 2005, and 2.0% in 2006. In the previous forecast this measure was anticipated to grow 0.9% in 2003, 1.9% in 2004, 2.4% in 2005, and 3.3% in 2006. As a result of this faster growth, Idaho nonfarm employment was anticipated to reach 615,397 in 2006. This is significantly higher than the current estimate of 594,621 for 2006.

The Gem State's goods-producing employment sector is hardest hit in this forecast. In the previous forecast the number of jobs in this sector was expected to shrink slightly in 2002 then enjoy moderate growth thereafter. In the current forecast, Idaho goods-producing employment retreats sharply in 2003 (3.6% versus 1.1%). Part of this change reflects layoffs that have been announced since the previous forecast was published. Unfortunately, goods-producing employment is projected to continue shrinking through 2005 and post a marginal gain in 2006. As a result, Idaho goods-producing employment is 11,400 (10.0%) lower in 2006 than had been forecasted previously.

Idaho's services-producing sector is projected to fare better than the goods-producing sector, but not as well as was previously believed. Services-producing employment is forecast to increase 1.0% this year and about 2.1% annually in the remaining years of the forecast. This is slower than the original forecast where service sector job growth accelerated from 1.3% in 2002, to 1.9% in 2004, to 2.4% in 2005, and to 3.3% in 2006. In 2006, services-producing employment is estimated to be about 9,400 (1.9%) lower than the former projection.

The employment pattern holds for Idaho personal income. Specifically, Idaho nominal personal income is lower in the current forecast in 2003 and this gap widens over time. By 2006, it is about \$800 million (2.0%) lower than previously projected. The gap between real Idaho personal income is not as wide because the outlook for inflation is lower in the current forecast.

Selected Idaho Economic Sectors

Electrical and Nonelectrical Machinery: The state's largest manufacturing employment sector suffered a major blow this winter when its single largest employer, Micron, laid off around 1,100 workers in the Treasure Valley. Unfortunately, this is just one in a series of layoffs. Previously, approximately 500 jobs were lost when Jabil Circuit shuttered its two-year old Meridian manufacturing plant. In addition, layoffs by various other firms have cost this sector approximately 4,000 jobs during the current downturn. Company-wide, Micron reduced its work force by 10%, or about 1,800 employees. This move was part of the company's plan to reduce costs in response to the one of the most challenging periods of this young industry's history. Micron is the world's second largest manufacturer of computer memory products. Its primary competitors are Samsung, Infineon, and Hynix. A glut of memory products has caused their prices to plummet. For example, Semico Research Corporation reported the price of 256 MB DRAM (Dynamic Random Access Memory) fell from \$7.40 in the first quarter of 2002 to a projected \$5.00 in this year's first quarter. It also estimated Micron's market share fell slightly from 19.7% in 2001 to 18.5% in 2002. These factors have taken a toll on Micron's bottom line. The company has posted losses in nine straight quarters. Despite this protracted down cycle, Micron was able to avoid layoffs until this winter. The layoffs and other restructuring measures are part of the company's plan to shore up its bottom line and position itself for when the industry returns to health. There are signs the industry is poised for growth, but a return to the go-go years of the recent past is unlikely. During the 1990-91 recession, Idaho's high-tech sector added 2,100 jobs, a growth rate of almost 20.0%. It continued to expand through most of the 1990s. By 1995 it was the state's largest manufacturing employer, accounting for one out every four jobs. This growth was propelled by frenzied investment for software and computers. Specifically, from 1990 to 1999 real nonresidential investment in software grew 15.6% annually, while real computer investment surged 34.7% per year. Ironically, 1999 was the first year Idaho's high-tech sector employment shrank since 1986. While investment has not retreated it has slowed. From 1999 to 2002, real software investment has grown just 3.1% per year and investment in computers has risen just 11.0% annually. But over the forecast period real investment in software is forecast to rise nearly 10.0% per year and computer investment should increase about twice the pace of software. Another factor that could aid this sector is the U.S. Department of Commerce's decision to charge Hynix a 57.37% tariff on computer memory it sells in the U.S. This ruling was made in response to complaints the South Korean government was unfairly subsidizing Hynix. The tariff is being collected in an escrow account that will be turned over to Micron if the Department of Commerce's preliminary ruling is upheld. More importantly, if the tariff were made permanent it would effectively prevent Hynix from marketing its products in the United States, which would probably be the demise of Hynix. The loss of this company in a field crowded with competitors could ease supply, which in turn would boost prices. This would bode well for Micron. Another local company with its eyes on the future is Pocatello's AMI Semiconductor. The company has been slowly adding to its 2,500-person payroll despite the industry downturn. Idaho's electrical and nonelectrical sector's employment is expected to decline 5.2% this year, then grow 2.0% in 2004, 4.5% in 2005, and 3.1% in 2006.

Lumber and Wood Products: The fortunes of the state's lumber and wood products sector has long been determined by the swings in the business cycle. Traditionally, this industry flourished during periods of strong demand and retrenched when demand slackened. That is what makes this sector's current decline so frustrating. Idaho's lumber and wood products sector is losing jobs during a time when the U.S. housing industry is booming. The reason has little to do with demand side of the equation and almost everything to do with the supply side. There is a glut of lumber and wood products in the market. This supply situation is keeping prices low despite healthy demand. Fueling this glut is the tidal wave of products that has been redirected to the red-hot U.S. market as other export markets collapsed. These low prices have squeezed many companies' profits to the point where they have had to curtail operations. For example, approximately 125 jobs were lost when the former Boise Cascade mill in Cascade, Idaho ceased operations in 2001. About 250 jobs were lost last year when the Emmett, Idaho mill was closed. Potlatch shuttered its Jaype Mill near Pierce the previous year, a move that cost about 215 high-paying jobs. A structural problem facing this industry is its chronic over capacity. One estimate shows this industry is already geared up to produce 20% to 25% more lumber than is being consumed in North America and Canada. The good news is the excess supply will eventually disappear. But the bad news is it will result from the anticipated closure of older and less-efficient mills. Unfortunately, mill closings have become an all-too-frequent occurrence in the West. *Random Lengths* recently reported that there were 337 sawmills, plywood plants, veneer mills, and board mills operating in Oregon, Washington, California, Idaho, and Montana, which was just over half the 663 that were in operation ten years ago. Part of this decline can be traced to the shrinking log supplies from federal forests. Like most of the region, the health of the Gem State's industry depends on an adequate supply of public timber. According to U.S. Department Agriculture, the total amount of timber harvested in Idaho fell from 1.8 billion board feet in 1990 to 1.2 billion board feet in 2000, a 31% drop. These data also show that harvests from Idaho national forests fell an astounding 78% over this decade. Many Idaho producers have survived by adapting to changes occurring in the industry. For example, Potlatch Corporation announced it would spend \$2.6 million this summer to upgrade its St. Maries sawmill. These changes were deemed necessary to keep the 30-year old sawmill competitive. Under current pressures, Idaho's lumber and wood products employment is expected to decline from 10,845 in 2002 to 8,865 in 2006.

Mining and Chemicals: Idaho's mining sector is expected to enjoy a respite from falling employment in 2004. The state's mining sector suffered its fifth straight year of employment declines in 2002. It is projected to drop again in 2003. After peaking at about 3,100 jobs in 1997 it had less than 1,800 jobs in 2002. Most of the job losses were in the metal mining component, which shed over 1,200 jobs from 1997 to 2002. Idaho other mining employment fell from 1,843 jobs in 1997 to 1,194 jobs in 2002. As a result, as of 2001 there have been more people employed in the other mining sector compared to the metal mining sector. Not all the news has been negative, however. Ledcor recently announced it was recalling 40 to 50 workers back to the Thompson Creek Molybdenum Mine. The move reflects improved molybdenum prices. Interestingly, this has not been the first time the company has resumed operations over the last year. Strong prices helped restart the plant in July 2002, but it was closed in November as prices eroded. The state's chemical sector has also fallen on hard times. Most notably, Astaris closed its Pocatello elemental phosphorus plant after operating for more than a half a century. The

approximately 300 remaining employees and several hundred-construction workers lost their jobs when the plant permanently closed. The plant was a major employer in the community, and its high-paying jobs will be missed. Unfortunately, Astaris is not the only Gem State chemical manufacturer to fall on hard times. Kerr-McGee closed its Soda Springs plant due to the low price of vanadium. Idaho mining employment is expected to grow slightly in 2004, but decline in the other years. Chemical sector employment should grow marginally in 2005, but sustain losses in the other years of the forecast.

Services-Producing Industries: The outlook for the state's gigantic services-producing sector has changed slightly since the previous forecast. It is still believed this sector will be the leading producer of jobs over the forecast period. In fact, it is anticipated to be the only sector producing jobs through 2005. These jobs will offset the expected contraction of goods-producing sector from 2002 to 2005. Although the services-producing sector is expected to continue to expand, its projected growth is slower than in the previous forecast. Specifically, services-producing employment is expected to advance 1.0% in 2003, 2.2% in 2004, 2.1% in 2005, and 2.1% in 2006. In the previous forecast the number of services-producing jobs was estimated to rise 1.3% in 2003, 1.9% in 2004, 2.4% in 2005, and 3.3% in 2006. As a result of the slower growth, services-producing employment is 491,927 in 2006. It was previously forecast to be 501,293 in 2006. Traditionally, the goods-producing sector determined the fortunes of the services sector. For example, local implement dealers suffer if farmers fall on hard times. However, the roles of the goods-producing and services-producing sectors are becoming blurred. For example, construction is classified as a goods-producing activity, but clearly is largely driven by activity in other sectors. As the economy evolves, many services-based industries have become the drivers. An example of this trend is the growing number of call centers in Idaho. The call centers are involved in a wide range of activities including sales, help lines, telemarketing, customer services, and market research. Call centers also include a wide variety of business sectors. These include manufacturing, transportation, communications, trade, finance, insurance, business services, and research and development. For example, Dell Computer recently opened a service center in Twin Falls. Unfortunately, these call centers are not immune from the vagaries of the business cycle and other factors outside their control. Center Partners, a call center with offices in several Idaho locales, announced it had lost AT&T Broadband as a customer. If a replacement for this client cannot be found, the company will be forced to lay off workers. Other businesses have also announced changes. Sears recently closed its Boise computer operations and is looking for a buyer for its credit operations. However painful, these setbacks should be viewed as temporary. The one thing that has not changed is Idaho's high quality labor force. It has been the reason call centers have been drawn to the state in the past, and it will be the key marketing tool for attracting businesses to the Gem State.

Construction: Idaho's construction employment is anticipated to experience an orderly retreat from its record level of 37,273 in 2001. Before going further, it is useful to review the recent past to gain a perspective on the magnitude of the expected contraction. From 1988 to 2001, construction employment grew an average of 7.5% per year, which made it one of the state's fastest growing sectors. At this pace, the level of employment nearly tripled from just fewer than 14,000 to 37,273. The strong demand for housing resulting from strong in-migration into the Gem State fueled this employment growth. Housing starts surged from about 3,300 units in 1988 to nearly 12,800 units in 1994. Housing starts did settle down to about 9,400 units in 1995. Since then, total housing starts have hovered in the 9,000- to 11,000-unit range. Nonresidential construction also deserves credit for this sector's strong showing. Projects such as the Boise Towne Square Mall and the rebuilding of downtown Boise's infrastructure helped boost

employment during the early years of the boom and provided an important cushion when housing starts dropped in 1995. Given the cooling economy, strained state and local government budgets, and slower population growth, both residential and nonresidential building are not expected to match their earlier strong performances. On the bright side, neither is construction projected to suffer a bust. One of the reasons for this is the state's demand and supply for housing is not as far out of balance as in other states. This is because Idaho builders were in catch-up mode during most of the expansion period. Thus, the state never developed a significant housing inventory surplus. Idaho housing starts are expected fall this year and next, then recover gradually in 2005 and 2006. Idaho construction employment is forecast decline 0.2% in 2003, 0.9% in 2004 and rise 0.7% in 2005, and 3.4% in 2006.

Food Processing: Two large food processors have fallen victim to the weak market for frozen French fries and other processed potato products. Food processing giant McCain Foods USA announced it was reducing the number of shifts its Burley plant this June. As a result, 125 workers are expected to lose their jobs. Company officials stressed this was a temporary move. J.R. Simplot Company announced about 50 employees at its Heyburn plant will be let go in May. This layoff comes a year after the company announced it would close the plant in April 2004. Company officials had hoped to keep three specialty lines operating until the shutdown, but soft market conditions led to the closing of one line. There will be approximately 265 workers left at the plant after the May 2003 layoff. Some of the domestic weakness is due to concerns over the war with Iraq. If American consumption contracts, it would be consistent with what occurred during the previous Iraqi conflict. These two setbacks have also led to speculation that their markets are undergoing a structural change. One of the biggest threats comes from foreign producers, primarily Canada. It has been reported that the U.S. became a net importer of French fries in 2000. This trend is expected to continue through 2005 as additional Canadian capacity comes on line. Unfortunately, these two companies were not the only ones to announce layoffs. Eddy's Bakery announced 129 bakery workers would also lose their jobs this May when the company relocates its baking operations to Henderson, Nevada. About 60 transport drivers and driver-salesmen will continue working for the bakery's parent company, Interstate Bakeries Corporation. However, not all the news has been bad. Part of the groundwork for this section's future is being laid in southeastern Idaho. Grupo Modelo started work on its new \$64 million plant in Idaho Falls. The plant will have the capacity to process 100,000 metric tons of barley malt per year for the Mexican brewing company. Significantly, the company chose Idaho as the location of its first operations outside of Mexico. Idaho food processing employment is forecast to dip 0.5% this year, rise 1.6% next year, 1.2% in 2005, and 1.1% in 2006.

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TABLE 14
(Table 14 – 2003)

State of Idaho						
Labor Force & Non-Agricultural Wage & Salary Employment Annual Averages						
	2002*	2001	2000	1999	1998	Percent Change From 2001-2002
LABOR FORCE DATA-PLACE OF RESIDENCE (PEOPLE)						
Civilian Labor Force	689,283	681,558	657,712	651,090	653,056	1.10%
Unemployment	37,310	33,274	31,914	33,697	32,839	12.10%
Percent of Labor Force Unemployed	5.4	4.90%	4.9%	5.2%	5.0%	
Total Employment	651,974	648,283	625,798	617,393	620,217	0.60%
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT - (JOBS)**						
Total Nonagriculture Wage & Salary Employment	564,666	568,924	559,255	539,681	521,583	-0.70%
Goods Producing Industries	107,503	114,548	116,026	113,955	111,242	-6.20%
Mining	1,761	2,030	2,425	2,582	2,902	-13.30%
Metal Mining	570	823	1,221	1,421	1,692	-30.70%
Construction	34,718	37,239	36,432	35,022	32,228	-6.80%
Manufacturing	71,024	75,279	77,169	76,351	76,112	-5.70%
Durable Goods	43,096	46,275	47,916	47,205	47,171	-6.90%
Lumber & Wood Products	10,904	11,483	12,607	13,414	13,730	-5.00%
Logging	1,898	2,107	2,293	2,396	2,478	-9.90%
Sawmills & Planing Mills	4,158	4,426	4,752	4,758	4,836	-6.10%
Wood Buildings & Manufactured Homes	1,129	1,104	1,302	1,702	1,645	2.30%
Other Lumber & Wood Products	3,719	3,846	4,260	4,558	4,771	-3.30%
Stone, Clay, Glass & Concrete Products	1,468	1,463	1,453	1,513	1,387	0.40%
Fabricated Metal Products, exe. Machinery & Trans. Eqpmnt	2,821	3,006	3,031	3,038	2,949	-6.20%
Industrial & Commercial Machinery & Computer Eqpmnt.	9,070	10,028	10,457	10,258	10,947	-9.60%
Electric & Electronic Equipment & Supplies	13,177	14,447	14,209	12,884	12,360	-8.80%
Transportation Equipment	2,136	2,192	2,446	2,465	2,426	-2.60%
Other Durable Goods	3,521	3,657	3,713	3,606	3,372	-3.70%
Nondurable Goods	27,928	29,004	29,253	29,147	28,941	-3.70%
Food & Kindred Products	17,018	17,340	17,252	17,401	17,285	-1.90%
Canned, Frozen & Preserved Foods, Vegetables	9,371	9,568	9,769	10,068	9,993	-2.10%
Paper & Allied Products	2,077	2,141	2,226	2,276	2,270	-3.00%
Printing, Publishing & Allied Products	4,908	5,204	5,412	5,538	5,172	-5.70%
Chemicals & Allied Products	1,986	2,324	2,332	2,291	2,356	-14.60%
Other Nondurable Goods	1,939	1,996	2,031	2,041	1,859	-2.80%
Service Producing Industries	447,163	454,376	443,229	425,726	410,341	0.60%
Transportation, Communication & Utilities	27,540	28,129	27,943	26,743	25,497	-2.10%
Transportation	17,007	17,613	17,479	16,888	16,563	-3.40%
Railroad	1,281	1,311	1,454	1,465	1,477	-2.30%
Motor Freight Transportation & Warehousing	9,872	10,204	10,249	9,835	9,635	-3.30%
Communication	6,494	6,560	6,478	5,888	4,964	-1.00%
Electrical, Gas & Sanitary Services	4,039	3,956	3,985	3,968	3,970	2.10%
Trade	140,054	140,928	141,103	136,015	132,620	-0.60%
Wholesale Trade	31,173	31,602	32,801	32,221	30,795	-1.40%
Durable Goods	14,501	14,807	15,320	14,588	14,142	-2.10%
Nondurable Goods	16,672	16,795	17,481	17,634	16,653	-0.70%
Retail Trade	108,881	109,326	108,302	103,794	101,825	-0.40%
Bldg Materials, Hardware, Garden Supplies, etc.	6,760	6,507	6,584	6,477	6,048	3.90%
General Merchandise Stores	14,177	13,849	12,719	11,274	11,209	2.40%
Food Stores	18,294	18,759	19,596	19,178	18,521	-2.50%
Auto Dealers & Gas Service Stations	12,340	12,269	12,048	12,033	11,838	0.60%
Eating & Drinking Places	37,929	38,054	37,663	35,957	35,672	-0.30%
Finance, Insurance & Real Estate	24,485	24,093	23,495	23,595	22,930	1.60%
Banking	7,411	7,331	7,293	7,414	7,293	1.10%
Service & Miscellaneous	152,993	151,033	145,038	135,852	128,782	1.30%
Hotel & Other Lodging Facilities	7,601	8,078	8,430	8,352	8,301	-5.90%
Personel Services	4,464	4,433	4,302	4,204	4,061	0.70%
Business Services	29,689	30,247	28,464	24,762	21,869	-1.80%
Amusement & Recreation Services	7,266	7,098	7,310	6,989	6,583	2.40%
Health Services	40,143	38,157	35,934	34,304	33,534	5.20%
Hospitals	13,640	12,973	11,735	11,173	10,951	5.10%
Engineering Management Services	19,373	19,159	17,941	16,509	15,700	1.10%
Government	112,092	110,192	105,651	103,521	100,511	1.70%
Federal Government	13,367	13,287	13,428	12,756	12,796	0.60%
State & Local Government	98,725	96,906	92,223	90,766	87,715	1.90%
State Government	28,652	28,739	28,154	27,911	26,969	-0.30%
Education	13,500	13,364	13,050	13,234	12,460	1.00%
Administration	15,152	15,375	15,104	14,677	14,509	-1.40%
Local Government	70,073	68,167	64,069	62,855	60,746	2.80%
Education	38,823	38,307	37,527	36,558	35,423	1.30%
Administration	31,250	29,861	26,542	26,297	25,323	4.70%
*Preliminary Estimate						
**Estimates include all full- or part-time wage and salary workers who worked or received pay in the following industry groups during the pay period ending the 12th of the month.						
Source: Department of Labor						

TABLE 15
(Table 15 – 2003)

State of Idaho
Non-Agricultural Wage & Salary Employment - By Place of Work

	December 2002	November 2002	December 2001	Percent Change Last Month	Last Year
Total Non-Agriculture Wage & Salary Employment**	565,300	568,500	571,700	-0.6	-1.1
GOODS-PRODUCING INDUSTRIES	103,700	106,100	110,700	-2.3	-6.3
<i>Mining</i>	1,600	1,700	1,700	-5.9	-5.9
Metal Mining	500	500	500	0.0	0.0
<i>Construction</i>	32,200	33,700	36,200	-4.5	-11.0
<i>Manufacturing</i>	69,900	70,700	72,800	-1.1	-4.0
Durable Goods	42,000	42,400	44,200	-0.9	-5.0
Lumber & Wood Products	10,400	10,700	11,300	-2.8	-8.0
Logging	1,800	1,900	2,300	-5.3	-21.7
Sawmills & Planing Mills	3,900	4,000	4,100	-2.5	-4.9
Wood Buildings & Mobile Homes	1,100	1,100	1,100	0.0	0.0
Other Lumber & Wood Products	3,600	3,700	3,800	-2.7	-5.3
Store, Clay, Glass & Concrete Products	1,500	1,600	1,400	-6.3	7.1
Fab. Structure Metal Products	2,600	2,700	2,900	-3.7	-10.3
Industrial & Commercial Machinery	8,700	8,800	9,400	-1.1	-7.4
Electric & Electronic Equipment & Supplies	13,100	13,200	13,400	-0.8	-2.2
Transportation Equipment	2,200	2,000	2,100	10.0	4.8
Other Durable Goods	3,500	3,400	3,700	2.9	-5.4
Nondurable Goods	27,900	28,300	28,600	-1.4	-2.4
Food & Kindred Products	17,000	17,400	17,100	-2.3	-0.6
Canned, Frozen & Preserved Foods	9,300	9,600	9,200	-3.1	1.1
Paper & Allied Products	2,000	2,000	2,200	0.0	-9.1
Printing, Publishing & Allied Products	5,000	5,000	5,100	0.0	-2.0
Chemicals & Allied Products	2,000	2,000	2,300	0.0	-13.0
Other Nondurable Goods	1,900	1,900	1,900	0.0	0.0
SERVICE-PRODUCING INDUSTRIES	461,600	462,400	461,000	-0.2	0.1
<i>Transportation, Communication & Public Utilities</i>	27,500	27,500	27,800	0.0	-1.1
Transportation	16,900	16,900	17,800	0.0	-5.1
Railroad	1,200	1,200	1,300	0.0	-7.7
Motor Freight Transportation & Warehousing	9,900	10,000	10,400	-1.0	-4.8
Communication	6,500	6,500	6,000	0.0	8.3
Electrical, Gas & Sanitary Services	4,100	4,100	4,000	0.0	2.5
<i>Trade</i>	141,100	141,900	142,300	-0.6	-0.8
Wholesale Trade	31,200	31,300	31,900	-0.3	-2.2
Durable Goods	14,500	14,600	14,800	-0.7	-2.0
Nondurable Goods	16,700	16,700	17,100	0.0	-2.3
Retail Trade	109,900	110,600	110,400	-0.6	-0.5
Bldg Materials, Hardware, Garden Supplies, etc.	6,600	6,700	6,400	-1.5	3.1
General Merchandise Stores	15,300	15,300	14,600	0.0	4.8
Food Stores	18,300	18,400	18,800	-0.5	-2.7
Automotive Dealers & Gasoline Service Stations	12,200	12,500	12,400	-2.4	-1.6
Eating & Drinking Places	37,500	37,900	37,500	-1.1	0.0
<i>Finance, Insurance & Real Estate</i>	24,800	24,800	24,800	0.0	0.0
Banking	7,500	7,400	7,400	1.4	1.4
<i>Services</i>	153,500	153,100	152,600	0.3	0.6
Hotel & Other Lodging Facilities	6,800	6,700	7,700	1.5	-11.7
Personal Services	4,700	4,700	4,400	0.0	6.8
Business Services	29,300	29,500	31,300	-0.7	-6.4
Amusement & Recreation Services	7,800	6,900	6,700	13.0	16.4
Health Services	40,800	40,700	39,200	0.2	4.1
Hospitals	13,900	13,900	13,500	0.0	3.0
Engineering Management Services	19,600	19,800	19,400	-1.0	1.0
<i>Government</i>	114,700	115,100	113,500	-0.3	1.1
Federal Government	13,000	12,900	12,500	0.8	4.0
State & Local Government	101,700	102,200	101,000	-0.5	0.7
State Government	29,000	29,300	29,800	-1.0	-2.7
Education	14,800	14,900	14,800	-0.7	0.0
Administration	14,200	14,400	15,000	-1.4	-5.3
Local Government	72,700	72,900	71,200	-0.3	2.1
Education	41,200	41,400	40,800	-0.5	1.0
Administration	31,500	31,500	30,400	0.0	3.6

*Revised Estimate

Estimates include all full- or part-time wage and salary workers who worked for or received wages in the pay period including the 12th of the month.
Prepared by Research & Analysis in cooperation with the U.S. Bureau of Labor Statistics.

TABLE 16
(Table 16 – 2003)

State of Idaho
Agricultural Employment Estimates

	December 2002	November 2002	December 2001	Percent Change	
				From Last Month	From Last Year
Total Agricultural Employment	28,590	31,830	28,360	-10.2%	0.8%
Operators & Unpaid Family	9,420	9,490	9,420	-16.2%	0.0%
Hired Workers	19,170	22,340	18,940	-14.2%	1.2%

Source: Idaho Department of Employment, Research & Analysis Bureau

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TABLE 17
(Table 17 – 2003)

Idaho's Largest Employers (Excluding Government)

FIRM NAME	DESCRIPTION	RANGE
Albertson's, Inc.	Food Retailer	Over 5,000
Bechtel BWXT Idaho LLC	Nuclear Eng/Enviro Research	Over 5,000
Micron Technology	Memory Devices/Semiconductors	Over 5,000
Hewlett Packard Company	Laser Printers	3,000-5,000
J.R. Simplot Company	Food Proc., Fertilizer, Chem., Mfg.	3,000-5,000
St. Lukes Reg. Med. Ctr./Mtn Sts. Tumor Institute	Health Care Provider	3,000-5,000
Wal Mart	Department Store/Food Retailer	3,000-5,000
Center Partners Inc	Call Center	1,500-3,000
Fred Meyer Inc	Department Store/Food Retailer	1,500-3,000
Idaho Power Company	Electric Power Generator/Transmitter	1,500-3,000
Potlatch Corporation	Paper and Wood Products Manufacturer	1,500-3,000
St. Alphonsus Regional Medical Center	Health Care Provider	1,500-3,000
Amalgamated Sugar Company	Food Processor	1,000-1,500
American Microsystems Inc	Semiconductors	1,000-1,500
Basic American Foods, Inc.	Food Processor	1,000-1,500
Boise (was Boise Cascade)	Wood Products and Paper Manufacturer	1,000-1,500
Darmody Enterprises LTC – McDonalds	Quick Service Restaurant	1,000-1,500
Direct TV	Call Center	1,000-1,500
Eastern Idaho Regional Medical Center	Health Care Provider	1,000-1,500
Empro Professional Employer Services LLC	Temp Agency	1,000-1,500
Lamb-Weston, Inc.	Food Processor	1,000-1,500
Melaleuca, Inc.	Cosmetics, Vitamins, Soups	1,000-1,500
Personnel Plus Inc	Temp Agency	1,000-1,500
Qwest Corp	Communications Technology Provider	1,000-1,500
Sear's Roebuck & Company – Call Center	Credit Call Center	1,000-1,500
United Parcel Services Inc	Package Deliverer	1,000-1,500
US Bank National Association	Banking Service Provider	1,000-1,500
Washington Group International	Construction/Engineering Contractor	1,000-1,500
Wells Fargo	Banking Service Provider	1,000-1,500
Winco Foods	Food Retailer	1,000-1,500
A Full Life Agency Inc	Home Health Care Services	500-1,000
Adecco North America LLC	Temp Agency	500-1,000
Ammunition Accessories Inc. – Blount	Ammunition Mfg	500-1,000
Argonne National Laboratory	Nuclear Researcher	500-1,000
Artco	Printer	500-1,000
Bechtel Bettis Inc – Naval Reactor Facility	Research and Development	500-1,000
Regence Bluecross Blueshield of Oregon	Insurance Services Provider	500-1,000
Blue Cross of Idaho Health Service	Insurance Services Provider	500-1,000
Coldwater Creek Inc.	Retail Mail-Order Seller	500-1,000
Conagra Inc	Food Processor	500-1,000
Convergys Customer Management Group Inc	Call Center	500-1,000
Employer Resource Management	Temp Agency	500-1,000
Evangelical Lutheran Good Samaritan Society	Health Care Provider	500-1,000
Flexcel Inc – Kimball International	Furniture Mfg	500-1,000
Hagadone Corporation	Hotel/Restaurant Manager/Publishing	500-1,000
HB Boys LC – Burger King	Quick Service Restaurant	500-1,000
Home Depot USA Inc	Home Improvement Center	500-1,000
IHC Health Services Inc.	Health Care Services Manager	500-1,000
JC Penney Co., Inc.	Department Store	500-1,000
Jack in the Box Inc	Quick Service Restaurant	500-1,000
Jackson Food Stores Inc	Convenience Store Chain	500-1,000
K Mart Corporation	Department Store	500-1,000
Key Bank of Idaho	Banking Service Provider	500-1,000
Life Care Centers of America	Nursing Care Facilities	500-1,000
Maverick Country Stores Inc	Convenience Store Chain	500-1,000
McCain Foods Inc	Food Processor	500-1,000
Mercy Medical Center	Health Care Provider	500-1,000

Idaho's Largest Employers (Excluding Government)
Continued

MPC Computers LLC	Computer Manufacturing & E-Services	500-1,000
National Employers Network	Temp Agency	500-1,000
Nonpareil Corporation	Food Processor/Distributor	500-1,000
Sears Roebuch & Company – Retail	Department Stores	500-1,000
Shopko Properties Inc	Department Stores	500-1,000
Sinclair Oil Corporation – Sun Valley	Recreation/Hotel Mgr./Real Estate Dev.	500-1,000
St. Joseph's Hospital, Inc.	Health Care Provider	500-1,000
Sunhealth Specialty Services Inc	Continuing Care Retirement Comunitie	500-1,000
Target Stores	Department Store	500-1,000
Teleperformance USA Inc		500-1,000
The Bon Inc.	Department Store	500-1,000
Vencor Nursing Centers West LLC	Nursing Care Facilities	500-1,000
Woodgrain Millwork, Inc.	Wood Products Manufacturer	500-1,000
Young Mens Christian Assoc Inc	Civic and Social Organization	500-1,000
Old Castle MMG Inc	Highway, Street and Bridge Construction	500-1,000

Source: Idaho Departments of Commerce & Labor & Human Resources Departments of some firms

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TABLE 18
(Table 18 and 19 – 2003)

State of Idaho
Comparison of Idaho and National Average Annual Wage

Calendar Year	Idaho Average Annual Wage	National Average Annual Wage
1989	18,892	24,071
1990	19,760	25,178
1991	20,556	26,089
1992	21,477	27,466
1993	21,963	27,872
1994	22,723	28,358
1995	23,620	29,224
1996	24,110	30,325
1997	24,811	31,702
1998	25,826	33,316
1999	26,963	34,680
2000	28,668	36,717
2001	28,682	37,526
2002	29,433	38,375

Source: Idaho Division of Financial Management

TABLE 19
State of Idaho
Population Trends
Idaho's Population Base

1989	994,416
1990	1,012,348
1991	1,041,316
1992	1,071,685
1993	1,108,768
1994	1,145,140
1995	1,177,322
1996	1,203,083
1997	1,228,520
1998	1,252,330
1999	1,275,674
2000	1,293,953
2001	1,320,585
2002	1,341,131

SOURCE: U.S. Bureau of the Census

APPENDIX B

PLAN OF FINANCE

STATE OF IDAHO
TAX ANTICIPATION NOTES, SERIES 2003
PRINCIPAL AMOUNT \$375,000,000

RON G. CRANE, the duly elected, qualified, and acting Treasurer of the State of Idaho, hereby certifies as follows:

ARTICLE I

DEFINITIONS AND PURPOSE

Section 1.1: DEFINITIONS

As used in this document, the following terms shall have the following definitions:

Act means Title 63, Chapter 32, Idaho Code, pursuant to which the Notes are authorized, issued, and sold.

Authenticating and Paying Agent means a national bank doing business in New York, New York, appointed by the State Treasurer pursuant to Section 3.5 of this Plan in the event that Certificated Notes are issued.

Beneficial Owner(s) means the owners or Holders of Notes whose ownership is recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries in the Book-Entry-Only System of the Depository.

Board of Examiners means the State Board of Examiners created pursuant to Article IV, Section 18, Idaho Constitution, and Chapter 20, Title 67, Idaho Code.

Book-Entry-Only System means the system of recordation of ownership of the Notes on the books of the Depository pursuant to Article III of this Plan.

Certificated Note(s) means a Note or Notes evidenced by a printed certificate or certificates in the event that the Book-Entry-Only System is discontinued.

Code means the Internal Revenue Code of 1986, as amended.

Depository means The Depository Trust Company, New York, New York, its successor corporation, or such other depository as may subsequently be designated by the Treasurer.

Escrow Agent means U.S. Bank National Association, Salt Lake City, Utah, as escrow agent for the Note Payment Account designated pursuant to Section 2.6 of this Plan, and as paying

agent for the Notes, so long as the Notes are issued in book-entry-only form, designated pursuant to Section 3.1 of this Plan.

Escrow Agreement means the escrow agreement between the State Treasurer and the Escrow Agent substantially in the form of Exhibit "E" which is annexed hereto and by reference made a part of this Plan.

Fiscal Year means the 2003-2004 fiscal year of the State, commencing on July 1, 2003, and ending on June 30, 2004.

General Fund means the general fund of the State.

General Tax Revenues means income and revenue from taxes, whether specific, ad valorem, excise, income, franchise, or license.

Global Note(s) means the typewritten Note or Notes in the aggregate principal amount of the Notes, dated as of the date of delivery of the Notes, and registered in the name of the Nominee.

Governor means the Governor of the State of Idaho.

Holder or Holders means (i) so long as the Book-Entry-Only System is in effect, the Beneficial Owners, or (ii) in the event that the Book-Entry-Only System is discontinued, the holders of Certificated Notes.

Letter of Representations means the Blanket Issuer Letter of Representations between the State Treasurer and the Depository, relating to the Book-Entry-Only System, substantially as set forth in Exhibit "D" which is annexed hereto and by reference made a part of this Plan.

Nominee means Cede & Co. as nominee for the Depository, or such nominee as the Depository may substitute therefor.

Note Payment Account means the "Tax Anticipation Notes, Series 2003, Note Payment Account" within the Tax Anticipation Note Redemption Fund of the State created by Section 63-3203, Idaho Code, established pursuant to Section 2.6 of this Plan.

Notes means the State of Idaho Tax Anticipation Notes, Series 2003, issued in the principal amount of \$375,000,000.

Official Statement means the disclosure statement relating to the Notes, jointly approved by the State Treasurer and the Underwriter, and includes the Preliminary Official Statement.

Participant or Participants means banks and broker-dealer participants and correspondents, including indirect participants, that are related to entries on the Book-Entry-Only System of the Depository.

Plan means this Plan of Financing, dated June 18, 2003, authorizing the issuance, sale, and delivery of the Notes.

Preliminary Official Statement means the preliminary disclosure statement relating to the Notes, jointly approved by the State Treasurer and the Underwriter.

Purchase Contract means the Note Purchase Contract, dated June 17, 2003, between the State and the Underwriter, providing for the sale of the Notes, substantially in the form of Exhibit "A" which is annexed hereto and by reference made a part of this Plan.

Secretary of State means the Secretary of State of the State of Idaho.

State means the State of Idaho.

State Controller means the State Controller of the State of Idaho.

State Treasurer means the State Treasurer of the State of Idaho.

Underwriter means U.S. Bancorp Piper Jaffray.

Section 1.2: PURPOSE

The Notes are being issued pursuant to the Act for the purpose of providing funds for the payment of current expenses in anticipation of the receipt of General Tax Revenues for the Fiscal Year. This document shall constitute the Plan of Financing (the "Plan") of the State Treasurer required pursuant to Section 63-3202(2), Idaho Code, and the order of the State Treasurer required by Section 63-3202(3), Idaho Code, in connection with the issuance, sale, and delivery of the Notes.

ARTICLE II

THE NOTES

Section 2.1: The Notes are to be issued, sold, and delivered in accordance with the Act and the Purchase Contract. The maximum principal amount of Notes which may be outstanding at any one time under this Plan is \$375,000,000. In accordance with the March 11, 2003, approval of the Board of Examiners for the issuance of not to exceed \$1,344,802,500 Tax Anticipation Notes, the State Treasurer reserves the right to file one or more additional Plans of Financing under the authority of the Act during the Fiscal Year.

Section 2.2: The Notes shall be issued in accordance with the Book-Entry-Only System described hereinafter in the form of not more than two typewritten Notes (the "Global Notes") in the

aggregate principal amount of \$375,000,000, shall be dated as of their date of delivery, shall mature on June 30, 2004, shall bear interest from their date at a fixed rate of 2.00% per annum until paid, calculated on the basis of a thirty-day month and a 360-day year, such interest being payable at maturity, and shall be substantially in the form of the Global Note which is annexed hereto as Exhibit "B" and by reference made a part hereof. The Notes shall not be subject to redemption prior to their stated maturity.

Section 2.3: The Notes shall be issued in anticipation of the General Tax Revenues to be received by the State during the fourth quarter of the Fiscal Year, and the Notes shall be secured by an irrevocable pledge of the income and revenues from the taxes so anticipated. Each Note so issued shall recite that it is a valid and binding obligation of the State, and that the faith and credit of the State is solemnly pledged for the payment of the principal thereof and interest thereon in accordance with its terms and the Constitution and laws of the State.

Section 2.4: The Notes shall be registered prior to their issuance in the office of the State Controller. A legend to that effect shall appear on the Global Notes and, in the event that the Book-Entry-Only System is discontinued, on each Certificated Note.

Section 2.5: The Notes shall be payable in accordance with the provisions of the Book-Entry-Only System as set forth in Article III of this Plan. In the event that the Book-Entry-Only System is discontinued and Certificated Notes are issued, the Notes shall be payable, principal and interest, on their maturity date, at the office of the State Treasurer, at Boise, Idaho, or, at the option of the Holders of the Certificated Notes, at the principal corporate trust office of the Authenticating and Paying Agent, New York, New York, which is hereby designated, pursuant to Section 67-1221, Idaho Code, as alternative fiscal agent for the State and alternative place of payment of principal of and interest on the Certificated Notes.

Section 2.6: There is hereby established within the Tax Anticipation Note Redemption Fund of the State, created by Section 63-3203, Idaho Code, the Tax Anticipation Notes, Series 2003, Note Payment Account (the "Note Payment Account") for the payment of the principal of and interest on the Notes. The Corporate Trust Department of U.S. Bank National Association, Salt Lake City, Utah, is hereby appointed as escrow agent (the "Escrow Agent") in accordance with the Escrow Agreement which is annexed hereto as Exhibit "E" and by reference made a part of this Plan. The Note Payment Account shall be held and invested at the direction of the State Treasurer by the Escrow Agent pursuant to the provisions of the Escrow Agreement.

Section 2.7: The Notes are hereby sold to the Underwriter in accordance with the Purchase Contract, at a purchase price of \$379,170,000 plus accrued interest, if any.

Section 2.8: As provided in Section 63-3202(b), Idaho Code, immediately upon the issuance and sale of the Notes the State Treasurer shall cause the proceeds of the sale of the Notes to be credited to the General Fund.

ARTICLE III

THE BOOK-ENTRY-ONLY SYSTEM

Section 3.1: The Notes shall initially be issued in the form of fully registered Notes in book-entry-only form (the "Book-Entry-Only System"), with no Notes being made available to Beneficial Owners thereof, as provided in the Letter of Representations between the State Treasurer and the Depository. So long as the Notes are issued in book-entry-only form, the State shall recognize the Depository or its Nominee as the owner of the Notes for all purposes. Beneficial ownership interests in the Notes will be available through Participants in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. By purchasing a beneficial interest therein, a Beneficial Owner shall be deemed to have waived the right to receive a Certificated Note, except as provided hereinafter. Ownership of the Notes shall be recorded through entries on the books of banks and broker-dealer participants and correspondents (the "Participants") that are related to entries on the Book-Entry-Only System of the Depository. The Notes shall be initially issued in the form of not more than two typewritten Notes (the "Global Notes"). The Global Notes shall be executed by the manual signature of the Governor, countersigned by the manual signature of the State Treasurer, and attested by the manual signature of the Secretary of State. The Global Notes shall be registered in the name of the Nominee and, upon payment therefor in accordance with the terms and conditions of the Purchase Contract, including accrued interest, if any, to delivery, shall be lodged with the Depository until maturity of the Notes. The Escrow Agent shall be the paying agent for the Notes. The Escrow Agent shall remit payment for the principal of and interest on the Notes at maturity, in lawful money of the United States, directly to the Depository, so long as Depository or its Nominee is the registered owner of the Notes, for distribution to the Beneficial Owners of the Notes by recorded entry on the books of the Depository.

Section 3.2: With respect to Notes registered in the name of the Nominee, the State shall have no responsibility to any Participant, or to any Beneficial Owner on behalf of which such Participant acts as agent, with respect to:

- (i) the sending of transaction statements, or maintenance, supervision, or review of records of the Depository;
- (ii) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Notes;

- (iii) the delivery to any Participant, the Beneficial Owners, or any other person of any notice with respect to the Notes;
- (iv) the payment to any Participant, Beneficial Owner, or any other person other than the Depository or its Nominee of any amount with respect to principal of or interest on the Notes;
- (v) any consent given or other action taken by the Depository or its Nominee as owner of the Notes.

Section 3.3: The State shall cause to be paid, by the Escrow Agent, as set forth in the Escrow Agreement, on or before the date of maturity of the Notes, all of the principal of and interest on the Notes to the Nominee, and such payment shall be valid and effective fully to satisfy and discharge the State's obligation to any Participant, Beneficial Owner, or other person with respect to payment thereof to the extent of the sum or sums so paid. Transfer of principal and interest payments on the Notes shall be the responsibility of the Depository and its Participants, and the State shall have no liability therefor.

Section 3.4: Upon delivery by the Depository to the State of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Plan shall be deemed to refer to such new nominee.

Section 3.5: (A) In the event that either the State or the Depository shall determine to discontinue the services as set forth in the Letter of Representations, and the State elects not to designate another qualified securities depository to replace the Depository, then the State will discontinue the use of the Book-Entry-Only System and will cause to be issued Certificated Notes to the Beneficial Owners as Holders of the Notes. The Certificated Notes shall be issued in bearer form in the aggregate principal amount of \$375,000,000, shall be dated as of the date of delivery of the Global Notes, shall mature on June 30, 2004, shall bear interest (which shall include interest accrued during the time the Notes were in book-entry-only form) from their date at the same rate as the Global Note, payable at maturity, and shall be substantially in the form of the Note annexed hereto as Exhibit "C."

(B) Certificated Notes shall be executed by the facsimile signature of the Governor, countersigned by the facsimile signature of the State Treasurer, and attested by the facsimile signature of the Secretary of State. The State Treasurer will designate an Authenticating and Paying Agent for the Certificated Notes. Only such Certificated Notes as shall bear thereon a certificate of authentication in the form set forth on Exhibit "C," manually executed by an authorized officer of the Authenticating and Paying Agent, shall be valid for any purpose. Such certificate of authentication shall be conclusive evidence

that the Certificated Notes so authenticated have been duly executed, authenticated, and delivered hereunder and shall be entitled to the benefits of this Plan. The Authenticating and Paying Agent shall be responsible for its representations contained in the certificate of authentication on the Certificated Notes. The Certificated Notes shall be payable in the manner set forth in Section 2.5 hereinabove.

(C) In the event that Certificated Notes are issued, the State shall cause the Beneficial Owners to be notified of the discontinuance of the Book-Entry-Only System, issuance of Certificated Notes, and the appointment of the Authenticating and Paying Agent, and, within fifteen (15) days of the maturity date of the Notes, cause notice of the payment date and place to be published once in a financial journal published in New York, New York.

ARTICLE IV

COVENANTS

Section 4.1: All income and revenues from the taxes specified in Section 2.3 hereof, collected during the fourth quarter of the Fiscal Year (save and except only those revenues required, pursuant to Section 63-3067, Idaho Code, to be deposited into the "State Refund Account" and, pursuant to Section 63-3638, Idaho Code, to be deposited into the "Sales Tax Refund Tax Account"), shall be deposited into the Note Payment Account as received until such time as the moneys and investment earnings accumulated therein shall be fully sufficient to pay the principal of the Notes, and the interest thereon, at maturity. All moneys in the Note Payment Account shall be invested only in the following investments permitted by Section 67-1210, Idaho Code: (i) direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America or any agency thereof, or (ii) fully collateralized time certificates of deposit or fully collateralized repurchase agreements. No moneys in the Note Payment Account shall be invested in obligations permitted under paragraphs (c), (g), (h), or (k) of Section 67-1210, Idaho Code. All moneys in the Note Payment Account shall be invested so as to mature on or before June 30, 2004. Nothing herein shall be deemed as prohibiting the State Treasurer from depositing any income and revenues from taxes received prior to the fourth quarter of the Fiscal Year or other available revenues into the Note Payment Account. In accordance with the Act, the funds so accumulated in the Note Payment Account are pledged, appropriated, and set aside solely for such purpose. Any moneys remaining in the Note Payment Account after payment in full of all principal of and interest on the Notes at maturity shall be transferred to the General Account of the State.

Section 4.2: In the event that there are not on deposit in the Note Payment Account, on or before June 30, 2004, tax revenues fully sufficient, together with investment earnings earned or to be earned prior to the date of maturity of the Notes, to pay the principal of and interest on the Notes at maturity, then the State Treasurer shall, on or before June 30,

2004, (1) transfer to the Note Payment Account any moneys available, as authorized by Section 67-1212(2)(a), Idaho Code, in an amount sufficient, together with revenues and investment earnings on deposit in the Note Payment Account, to pay the principal of and interest on the Notes at maturity; or (2) take any or all other legally available actions to cause to be deposited in the Note Payment Account amounts sufficient, together with all other available revenues and investment earnings, to pay the principal of and interest on the Notes at maturity.

Section 4.3: None of the proceeds of the Notes will be (i) loaned to private persons within the meaning of Section 141(c) of the Code, or (ii) used for any private business use within the meaning of Section 141(b) of the Code. For purposes of the preceding sentence, "private persons" means any person or entity (including the federal government) other than a state or local government unit, and "private business use" means use directly or indirectly in a trade or business carried on by any such private person. Accordingly, the Notes will not be "private activity bonds" within the meaning of Section 141 of the Code. The State will take no action which would cause the Notes to become an item of tax preference for alternative minimum tax purposes.

Section 4.4: The State will comply with the provisions of the Code which are necessary for interest paid on the Notes to be exempt from federal income taxation (except for certain minimum taxes on corporations) and will make no use of the proceeds of the Notes that would result in the interest on the Notes being includable in gross income within the meaning of Section 103(a) of the Code, and in particular will take no action which would cause the Notes to become arbitrage bonds within the meaning of Section 148 of the Code. Prior to the issuance of the Notes, the State Treasurer will execute a Tax Certificate with respect to the Notes, and the State will comply with the provisions thereof.

Section 4.5: The State will calculate its actual cumulative cash flow deficit (within the meaning of Code Section 148(f)(4)(B)(iii)(II)) prior to the maturity of the Notes, and will keep accurate records of all investments of the proceeds of the Notes, including earnings on the proceeds of the Notes, and the expenditure thereof. If by a date which is not later than six months after the date on which the Notes are issued, the actual cumulative cash flow deficit has not equaled or exceeded ninety percent (90%) of the proceeds of the Notes, then (i) the State shall account for the investment of the Gross Proceeds (as described in Section 148(f)(6)(B) of the Code and Section 1.148-1(b) of the Treasury Regulations) of the Notes and make the required arbitrage rebate payments to the federal government from the proceeds of the Notes or from any other legally available source (provided, however, that this obligation shall not be construed as constituting a debt or liability of the State within the meaning of any constitutional or statutory limitation upon the incurrence of the indebtedness by the State) at the times, upon the terms and conditions, and in the manner

specified in Section 148(f) of the Code and the Treasury Regulations promulgated in connection therewith, and (ii) the State shall keep and retain or cause to be kept and retained, until the date six years after the retirement of the last Note, adequate records with respect to the Notes and the investment and expenditure of proceeds thereof to comply with the aforementioned arbitrage rebate requirements, including without limitation a complete list of all investments and reinvestments of Gross Proceeds of the Notes including (a) purchase price of such investments, (b) purchase date, (c) type of security or investment, (d) accrued interest paid on the investment (if any), (e) interest rate (if applicable), (f) dated date (if applicable), (g) principal amount, (h) date of maturity, (i) interest payment dates (if applicable), (j) date of liquidation, (k) amounts received upon liquidation of such investments, and (l) the market value of such security or investment on the date it became Gross Proceeds of the Notes and on the date of the retirement of the last Note if then held by the State.

In addition, the State will not enter into any transaction or cause any transaction to be entered into which reduces the amount which may be required to be paid to the federal government pursuant to the arbitrage rebate requirements specified above, because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Notes not been relevant to either party.

The State represents that it is legally authorized to pay rebates to the United States as required by Section 148(f) of the Code, and that its expected cumulative cash flow deficit exceeds ninety percent of the proceeds of the Notes.

Section 4.6: The State will comply with the applicable requirements of Rule 15c2-12(b)(5)(i)(C) of the U.S. Securities and Exchange Commission with respect to the disclosure of certain material events with respect to the Notes, and hereby covenants and agrees with and for the benefit of the Holders of the Notes to provide, in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the state information repository for the State of Idaho, notice of any of the following events with respect to the Notes, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Notes; (7) modifications to rights of Note Holders; (8) Note calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes; and (11) rating changes. Holders of the Notes may enforce specific performance of the foregoing undertakings by any available judicial proceeding; provided, however, that the failure of the State to perform such undertakings shall not constitute an event of default with respect to the Notes, nor

shall any such failure render the State liable for monetary damages to any Holder or transferee of the Notes.

ARTICLE V

MISCELLANEOUS

Section 5.1: In connection with the public offering of the Notes by the Underwriter, the use of a Preliminary Official Statement and a final Official Statement is hereby authorized. Pursuant to Securities and Exchange Commission Rule 15c2-12, the State deems the Preliminary Official Statement as final as of its date except for the omission of information dependent upon the pricing of the Notes, such as offering price, interest rate, selling compensation, delivery date, or other terms dependent upon the foregoing matters. The State hereby agrees to deliver or cause to be delivered, within seven (7) business days after any final agreement to purchase the Notes copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

Section 5.2: Any notices shall be given as follows: If to the State, to: State Treasurer, State Capitol Building, Boise, Idaho 83720; if to the Underwriter, to: U.S. Bancorp Piper Jaffray, 1050 17th Street, Suite 2100, Denver, Colorado 80265; if to the Depository, to: The Depository Trust Company, 55 Water Street, New York, New York 10041; if to the Escrow Agent, to U.S. Bank National Association, Attn: Corporate Trust Department, 15 West South Temple, Suite 200, Salt Lake City, Utah 84101.

Section 5.3: IN WITNESS WHEREOF, I have hereunto subscribed my official signature at Boise, Idaho, as of the 18 day of June, 2003.

—

Ron G. Crane
State Treasurer

FILED in the Office of the Governor of the State of Idaho
this 18day of June, 2003.

—

By _____
Office of the Governor

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

MOORE SMITH BUXTON & TURCKE, CHARTERED

ATTORNEYS AND COUNSELORS AT LAW

225 NORTH 9TH STREET, SUITE 420

Boise, ID 83702

Telephone: (208) 331-1800 Fax: (208) 331-1202

SUSAN E. BUXTON*
MICHAEL C. MOORE†

JOHN J. MCFADDEN **
Of Counsel

Bruce M. Smith

PAUL A. TURCKE‡

* Also admitted in Oregon

Christopher E. Yorgason

‡ALSO ADMITTED IN WASHINGTON

Tammy A. Zokan⁺ ♦ ALSO ADMITTED IN SOUTH DAKOTA

⁺ ALSO ADMITTED IN NEW MEXICO

July 1, 2003

The Hon. Ron G. Crane
State Treasurer
Statehouse Room 102
Boise, Idaho 83720

U.S. Bancorp Piper Jaffray
1050 17th Street, Suite 2100
Denver, CO 80265

Re: State of Idaho Tax Anticipation Notes, Series 2003,
in the Principal Amount of \$375,000,000

Dear Mr. Crane, Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the State of Idaho (the "State") of its Tax Anticipation Notes, Series 2003 (the "Notes"), which are dated July 1, 2003, mature on June 30, 2004, bear interest at the rate of two percent (2.0%) per annum, and are issued in the aggregate principal amount of \$375,000,000.

The Notes have been sold to U.S. Bancorp Piper Jaffray pursuant to a Note Purchase Contract dated as of June 17, 2003. We refer you to the Plan of Financing executed on June 18, 2003, pursuant to which the Notes are issued, for a description of the purpose for which the Notes are issued, the security for the Notes, the manner in which the principal of and interest on the Notes are payable, and all other details of the Notes.

We have relied upon the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We have examined the Constitution and laws of the State of Idaho, including Title 63, Chapter 32, Idaho Code, and such other laws, proceedings (prepared, in part, by us) relating to the issuance and sale of the Notes, and other documents as we have deemed necessary to render this opinion. This opinion is dated as of the date of issuance and delivery of the Notes.

Based upon our examination, we are of the opinion, under existing law and as of the date hereof:

1. The State has full power and authority under the Constitution and statutes of the State to borrow money for the purposes set forth in the Plan of Financing, to issue and sell the Notes, and to enter into and perform its obligations under the Plan of Financing and the Note Purchase Contract.
2. The Notes have been legally authorized, issued, and sold under and pursuant to the Constitution and laws of the State of Idaho and constitute valid and legally binding obligations of the State, payable from the "Tax Anticipation Notes, Series 2003, Note Payment Account" established by the Plan of Financing within the Tax Anticipation Note Redemption Fund of the State. The faith and credit of the State is pledged for the payment of the principal of and interest on the Notes.
3. The Plan of Financing and the Note Purchase Contract have been duly and validly authorized, executed, and delivered by the State, and, assuming the due and proper authorization, acceptance, and execution by the other parties thereto to the extent applicable, will constitute valid and legally binding obligations of the State, enforceable in accordance with their respective terms.
4. Except as discussed below, the interest on the Notes is excludable from the gross income of the owners for federal income tax purposes. We are further of the opinion that the interest will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the State with, certain representations and covenants regarding the use and investment of the proceeds of the Notes. Under the Code, the State is required to comply with certain requirements subsequent to the issuance of the Notes to maintain the exclusion of interest from gross income for federal income tax purposes, including requirements relating

to the application and investment of the proceeds of the Notes and use of facilities financed with such proceeds. The State has covenanted to comply with these requirements, and the opinion expressed in this paragraph 4 hereof assumes such compliance. However, we have not undertaken and do not undertake to monitor compliance by the State with such requirements; and if the State should fail to comply with such requirements, the interest on the Notes could become includable in gross income for federal and State of Idaho income tax purposes retroactive to the date of issuance of the Notes.

5. Interest on the Notes is excluded from gross income for purposes of income taxation by the State of Idaho, to the same extent that such interest is excluded from gross income for purposes of federal income taxation.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences arising with respect to the Notes. Owners of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the holders of the Notes may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

Our opinion is limited to matters of Idaho law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

MOORE SMITH BUXTON & TURCKE,
CHARTERED

Michael C. Moore

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